

**RFP for Vendor to Publish  
Forward-Looking SOFR Term Rates**

**I. Introduction**

The Alternative Reference Rates Committee (ARRC) seeks a firm to publish forward-looking Secured Overnight Financing Rate (SOFR) term rates. The [ARRC's 2020 Objectives](#) aim to establish an RFP process and criteria for recommendations in order to select an administrator of an ARRC-recommended forward-looking term SOFR rate to be published in the first half of 2021 if liquidity in SOFR derivatives markets has developed sufficiently, and also establish recommended scopes of use for such term rates. Creation of SOFR term rates is the final step in the ARRC's Paced Transition Plan. This RFP does not constitute the recommendation nor the guarantee that SOFR term rate will ultimately be endorsed by the ARRC. The ARRC's recommendation to publish will be based on the ability of any recommended rate to meet the agreed evaluation criteria.

**II. RFP Structure**

Responses to the RFP will be used by the ARRC to identify a recommended administrator who will be responsible for the calculation and publication of forward-looking SOFR term rates. The recommended administrator will make the forward-looking term rates readily accessible on a daily basis to the general public without cost and may make data available on a more frequent basis for commercial uses. Specifically, the recommended administrator will:

- Use the methodology and data sources proposed in the submission to the RFP to calculate forward-looking SOFR term rates on a daily basis. SOFR term rate maturities should include 1-month and 3-month, and may include 6-month or 1-year as considered feasible.
- Make the published data available to other vendors and publishers at reasonable cost. In particular, the term rates should be made available to the ARRC's selected administrator of SOFR spread adjustments and spread-adjusted rates on commercially reasonable terms.

The ARRC's selection of a recommended administrator will be based on criteria described in the next four sections (*Technical Criteria, Firm Criteria, Public Policy Criteria, and Calculation Methodology Criteria*). Each vendor interested in becoming the administrator should submit responses to this request following the requirements in the *Submissions* section. Responses to each criteria will be rated on a 1-3 scale and each criteria will be given equal weight in the ARRC's assessment. By responding to the RFP, each vendor commits to compliance with all relevant regulations and to working with enforcement authorities as requested and must comply with the terms as specified in the Eligibility section below.

**III. Technical Criteria**

a. Capacity

- i. Provide evidence of your firm's ability to publish publicly available data on a daily basis.

- ii. If your firm currently publishes data, include information on the process including the publication platform, format and publication history.
  - iii. Provide a description of your firm's process from computation to publication of forward-looking SOFR term rates.
  - iv. Describe the steps that your firm would take to ensure that its publication processes are robust.
    - 1. Address, at a minimum, the following risks: cybersecurity, data integrity, data revision control, and contingency plans and resources.
- b. Operating Model
- i. Describe the software your firm would use to publish the rates, the interfaces involve and the support that would be available. Emphasize, where appropriate, ease of access, data system and platform interoperability, and any known technology challenges or limitations.
  - ii. List any technical limitations on the number of system users and user software requirements.
  - iii. List any user software requirements.
  - iv. Describe your firm's monitoring infrastructure to detect and recover from component failures, proposed backup arrangements in the event that your primary site is down and assurances of timely distribution of data following a disruption.
- c. Approach, process, governance and oversight of conduct and operations
- i. Describe your firm's software development and testing processes.
  - ii. List any reliance on any external systems or providers.
  - iii. Describe data security and process integrity controls. If your firm has had significant prior security breaches, include remediation steps.
- d. Compliance with Benchmark Standards
- i. Does your firm and the proposed methodology comply with the IOSCO Principles for Financial Benchmarks? Explain how.
  - ii. Does your firm and the proposed methodology comply with the EU and UK Benchmarks Regulations? Explain how.

#### **IV. Firm Criteria**

- a. Suitability
  - i. Describe the services your firm currently provides to the commercial and consumer financial markets that suggest a good understanding of the market interest rate computations and market participant uses.
    - 1. Highlight any experience your firm has providing services to retail markets.
  - ii. Describe any business interest your firm would have in the outcome associated with any published rate.
  - iii. List any attributes that demonstrate that your firm has capabilities that would make it particularly well suited for this work.

- iv. List any potential conflicts of interest, constraining legal relationships, or regulatory restrictions that could influence your firm's ability to consistently provide the rates. Include knowledge of any claims, lawsuits or settlements against your company, particularly related to the assurance of trust and transparency around the rate development process.
- b. Financial perspective
  - i. Describe your firm's interest in producing these rates.
    - 1. Specify whether production would be a public service, a loss leader, or a profit opportunity based on market participants' willingness to pay for access to real-time data.
  - ii. Explain how the costless provision of the rates to the general public fits into your business plans.
  - iii. Assess your firm's financial health.
- c. Institutional and managerial capacity
  - i. Identify key staff and describe their technical skills, anticipated roles and relevant experience including cybersecurity support.
  - ii. Describe your firm's internal and external audit procedures; and the ability to conduct an independent, onsite audits.
  - iii. List the resources (hours, computing resources) that your firm anticipates devoting to initial development and publication of such rates.
  - iv. Describe your firm's process for screening personnel and, in the current environment, where critical resources are working and if not in the office, the security and reliability of their remote workplaces.
  - v. List the resources (hours, computing resources) that your firm anticipates devoting to fulfilling initial and on-going production.

**V. Public Policy Criteria**

- a. Data accessibility
  - i. Explain how your firm would ensure that the data is readily accessible without cost to retail financial services customers.
    - 1. Specifically identify any routine delays that would affect real time access to such data.
  - ii. Describe use of any data extraction tools and user interface requirements inherent in your proposal.
  - iii. Describe your firm's proposed connectivity to, and limitations on, accessibility for commercial users, other publication sites and data aggregators.
  - iv. Describe any costs or limitations your firm would impose on the accessibility of historical data by commercial users or retail financial services customers and your firm's customer service plans.
  - v. Include a statement of the level of transparency that your firm would provide about the data, computations and processes.
- b. Likely robustness of publication

- i. Describe any anticipated organizational changes that would invalidate or otherwise alter a commitment to publish the rates.
  - ii. Describe the steps that your firm would take to ensure the continued integrity of the data, data accessibility, and a robust and regularly updated recovery plan.
  - iii. Identify a succession plan should your firm cease to engage in publication of the rate.
- c. Previous projects
  - i. Provide examples of timely delivery of previous reasonably similar projects.
  - ii. Provide examples, if any, of untimely delivery of previous reasonably similar projects.
- d. Communications strategy
  - i. Propose a communication strategy for product launch (website, white papers, webinars, and engagement with industry groups).

## **VI. Calculation Methodology Criteria**

- a. Rate calculation
  - i. Describe the methodology of calculation of term SOFR rates. The terms should include 1m and 3m, and may include 6m or 1y as considered feasible.
  - ii. Provide a historical estimation of term rates looking back at least one year.
  - iii. Test the stability of the methodology. How does reducing the inputs sample effect the determination of the methodology output?
  - iv. What is the waterfall of inputs? Provide evidence of the accuracy of secondary or lower levels of the waterfall relative to the primary data source. Provide an assessment of how frequently lower levels of the waterfall would be used in different circumstances, including the zero-lower bound, for example.
- b. Data inputs
  - i. Provide a detailed description of the construction of each data input variable used in estimating term rates, including both primary and secondary or lower data inputs.
    - 1. Demonstrate that your firm has or can secure the rights to any data needed in order to produce the rates.
    - 2. Describe the data sources and the volume or activity.
    - 3. Describe any anticipated changes in the transactional volume of activity for each data source.
  - ii. Include historical data on each input, where available.
  - iii. Describe sources of uncertainty associated with such variables including rounding, measurement errors, illiquidity, missing data, etc.
  - iv. Provide tabular information describing the sensitivity of 1m and 3m term rates, and 6m or 1y term rates as considered feasible, to changes in each input variable, to changes in each input variable, holding all other data inputs fixed (i.e., deltas with respect to inputs).
- c. Methodology limitations (address for each tenor)
  - i. Does the methodology fail or becomes unreliable under certain market environments/rate regimes (e.g. negative rates, low liquidity, high volatility)?

- ii. Is it resilient under reasonably foreseeable regulatory changes?
- iii. Is it resilient under reasonably foreseeable monetary policy changes?
- iv. Are there any mitigating mechanisms in case those scenarios are likely?
- d. Anti-manipulation resilience (address for each tenor)
  - i. Assess resilience of the methodology to inappropriate manipulation.
  - ii. Describe your method for detection of any form of market manipulation.
    - 1. What size DV01 would a participant need to invest to move the benchmark significantly in any given day?
  - iii. Assess the impact of the 'Big Bang' CCP discounting switch in mid-October around liquidity/volumes and resiliency.
  - iv. Are there any other market events that will be significant to the development of term rates?

## **VII. Eligibility**

No member of the ARRC or any affiliate of a member of the ARRC is eligible to submit a response to this RFP unless any such member recused itself from the ARRC meetings and discussions through which this RFP was developed.

Any ARRC member that sits on an oversight committee for an interest rate benchmark administrator that intends to submit a response to this RFP must abide by the ARRC's recusal requirements.

## **VIII. Submissions**

Interested firms should submit their responses to the ARRC Secretariat at [arrc@ny.frb.org](mailto:arrc@ny.frb.org) by October 31, 2020. The ARRC's Term Rates Working Group will evaluate responses and will require selected firms to present their proposals. Following an ARRC selection, the ARRC will publish the name of the chosen administrator. The administrator must be prepared to begin publication of the forward-looking term rates by June 30, 2021.

Any information you provide that your firm believes is a proprietary trade secret or otherwise confidential should be specifically marked as such. Generalized confidentiality claims will either not be honored or cause your submission to be disqualified. Submissions will be made public and published on the ARRC website.

Questions about the RFP process should be sent to [arrc@ny.frb.org](mailto:arrc@ny.frb.org). Any modifications to the RFP will be published on the ARRC's website and emailed to all ARRC email recipients. Firms may modify their responses until the closing date above.

The ARRC will not reimburse or otherwise cover costs associated with response submissions or administration of the spreads and rates. All submission materials will be retained by the ARRC Secretariat. The ARRC Secretariat cannot guarantee confidentiality of submissions.