

August 11, 2021

ARRC Welcomes Launch of Refinitiv's USD IBOR Cash Fallbacks Prototype

The Alternative Reference Rates Committee (ARRC) today welcomes Refinitiv's prototype publication [launch](#) of the ARRC's recommended spread adjustments and spread adjusted rates for cash products. The launch follows the ARRC's March 2021 [announcement](#) that it had selected Refinitiv to publish LIBOR cash fallback spreads and rates. The initial prototype will not have fallbacks based on the SOFR term rate, but Refinitiv will include them in a second iteration based on the ARRC's recommendation of the CME term rates.

"The launch of Refinitiv's prototype rate is an important step in the transition away from USD LIBOR for borrowers and lenders in the cash markets, and is the result of extensive work by both the ARRC and Refinitiv to produce robust fallback rates that all market participants can rely on," said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley. "Starting today, market participants are able to evaluate the prototype, including testing their technical integration processes, which will help organizations get a clear understanding of where they need to focus their efforts in order to smoothly transition away from LIBOR in the coming months."

There are two versions of the Refinitiv USD IBOR Cash Fallbacks – one for consumer cash products, and the other for institutional cash products – and both will be published to 5 decimal places.

- Refinitiv USD IBOR Consumer Cash Fallbacks are currently based upon compound SOFR in advance plus the ARRC's recommended spread adjustment, which will be gradually introduced during the 12 months immediately following June 30, 2023. They will be published in 1-month, 3-month and 6-month tenors, both with and without a floor.
- There are various versions of the Refinitiv USD IBOR Institutional Cash Fallbacks for non-consumer cash products, with the Adjusted SOFR component including SOFR compound in arrears, Daily Simple SOFR and SOFR compound in advance. All of the SOFR compound in arrears and Daily Simple SOFR rates will be available with and without a lookback, observational shift and lockout. Refinitiv USD IBOR Institutional Cash Fallbacks will be published in up to 7 tenors – including overnight, 1-week, 1-month, 2-month, 3-month, 6-month and 12-month – and, unlike their consumer equivalent, there is no transition period.

The ARRC also intends to recommend the term rate version of the fallbacks for the New York Legislation and as the first step in its recommended rates waterfall, but other spread-adjusted rates published by Refinitiv can be used for market participants who have chosen to fallback to other forms of SOFR.

Jacob Rank-Broadly, Head of LIBOR Transition, Benchmarks & Indices at Refinitiv, commented, "We are delighted to have worked with the ARRC and the Federal Reserve to produce a family of prototype fallback rates for cash products that can support the industry migration of existing exposures away from USD LIBOR."

For more information about the Refinitiv USD IBOR Cash Fallbacks, please visit Refinitiv's [website](#).

About the ARRC

The ARRC is a group of private-market participants convened by the Federal Reserve Board and Federal Reserve Bank of New York in cooperation with the Commodity Futures Trading Commission, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Association of Insurance Commissioners, the New York Department of Financial Services, the Office of Financial Research, the Office of the Comptroller of the Currency, the U.S. Department of Housing and Urban Development, the U.S. Securities and Exchange Commission, and the U.S. Treasury Department. It was initially convened in 2014 to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption. The ARRC accomplished its first set of objectives and identified the SOFR as the rate that represents best practice for use in certain new USD derivatives and other financial contracts. It also published its [Paced Transition Plan](#), with specific steps and timelines designed to encourage adoption of the SOFR. The ARRC was reconstituted in 2018 with an expanded membership to help to ensure the successful implementation of the Paced Transition Plan, address the increased risk that LIBOR may not exist beyond 2021, and serve as a forum to coordinate and track planning across cash and derivatives products and market participants currently using USD LIBOR.

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