

March 6, 2020

ARRC Extends Comment Period for Feedback on Consultation about Potential Spread Adjustment Methodologies until March 25

The Alternative Reference Rates Committee (ARRC) announced that it is extending the comment period for public feedback on its [consultation](#) about spread adjustment methodologies for cash products referencing U.S. dollar (USD) LIBOR. The consultation was [initially released](#) on January 21, 2020 and the comment period is being extended until March 25, 2020 to provide sufficient time to allow for thorough feedback.

The consultation proposes a static spread adjustment that would be implemented at a specific time on or before USD LIBOR's cessation and would make the spread-adjusted version of the Secured Overnight Financing Rate (SOFR) comparable to USD LIBOR. In doing so, the spread adjustment would minimize the expected change in the value of contracts as a result of shifting from USD LIBOR to SOFR.

The ARRC has committed to making sure that its recommended spread adjustments and the resulting spread-adjusted rates are published and made publicly available. These spread adjustments are intended for use in USD LIBOR contracts that have incorporated the ARRC's recommended hardwired fallback language, or for legacy USD LIBOR contracts where a spread-adjusted SOFR can be selected as a fallback.

Submitting Feedback about this Consultation

The ARRC welcomes responses to the consultation from the widest possible range of stakeholders. Following this comment period, the ARRC plans to recommend spread adjustments that would apply to its fallback recommendations. Market participants may submit responses to the consultation questions by email to the ARRC Secretariat (arrc@ny.frb.org) no later than March 25, 2020. Please provide only one response per institution. Please attach your responses in a PDF document and clearly indicate "Consultation Response" in the subject line of your email. Comments will be posted on the ARRC's website as they are received without alteration except when necessary for technical reasons.

Comments will be posted with attribution unless respondents request anonymity. If your institution is requesting anonymity, please clearly indicate this in the body of your email and please ensure that the PDF document you submit is anonymized. Questions regarding the consultations should be sent to the ARRC Secretariat (arrc@ny.frb.org) and will not be posted for attribution.

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 Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of Financial Research, the Office of the Comptroller of the Currency, the Commodity Futures Trading Commission, the Securities and Exchange Commission and the U.S. Treasury Department. It was initially convened in 2014

ALTERNATIVE REFERENCE RATES COMMITTEE

to identify risk-free alternative reference rates for U.S. dollar (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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