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ARRC Releases Practical Implementation Checklist for SOFR Adoption

The Alternative Reference Rates Committee (ARRC) today released a [practical implementation checklist](#) to help market participants transition to using the Secured Overnight Financing Rate (SOFR), which is the ARRC's recommended alternative to U.S. dollar (USD) LIBOR.

The checklist was endorsed by the ARRC and represents the work of the ARRC's Outreach and Communications Working Group to clarify practical considerations for firms impacted by the transition. This working group focuses on coordinating the ARRC's public engagement and education efforts in order to inform market participants and other interested parties about ARRC-related work and about the risks associated with USD LIBOR.

The information in this checklist may be especially helpful for market participants that have not fully started taking the steps needed to transition away from LIBOR. The points in this checklist are designed as steps that firms can consider when transitioning, as opposed to a plan for them to strictly follow. The points listed should be modified according to firms' size and volume of LIBOR exposures, among other factors.

"Time is running out for LIBOR, and immediate action is necessary to ensure that firms have a robust transition plan. Today's checklist outlines specific steps to move to SOFR and prepare for a world without LIBOR. It is not designed as an exhaustive to-do list, but instead details practical measures that firms can take to prepare and transition now," said Tom Wipf, ARRC Chair and Vice Chairman of Institutional Securities at Morgan Stanley.

This checklist builds on the ARRC's work developing the [Paced Transition Plan](#), which outlines the steps for an effective shift to SOFR, and is designed to be used alongside the [User's Guide to SOFR](#).

The checklist covers 10 key areas where action is needed. These include governance, communications, risk management and operational readiness. It deliberately does not include timelines, as these will need to be set as part of the implementation plans for each firm and tailored to their circumstances.

The Outreach and Communications Working Group actively engaged with a range of market participants and their advisers to ensure that the checklist was as helpful and user-friendly as possible.

About the ARRC

ALTERNATIVE REFERENCE RATES COMMITTEE

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 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 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 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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