ARRC Releases Request for Proposals for the Publication of Forward-Looking SOFR Term Rates

The Alternative Reference Rates Committee (ARRC) today released a Request for Proposals (RFP) seeking a potential administrator to publish forward-looking Secured Overnight Financing Rate (SOFR) term rates. This follows the publication of the ARRC’s 2020 Objectives, which aimed to establish an RFP process to select a recommended administrator of forward-looking term SOFR rates, to be published in the first half 2021 if liquidity in SOFR derivatives markets has developed sufficiently. Creation of SOFR term rates is the final step in the ARRC’s Paced Transition Plan. The RFP does not constitute a guarantee that any SOFR term rate or administrator will ultimately be recommended by the ARRC. The ARRC’s recommendation will be based on the ability of any recommended rate to meet the ARRC’s evaluation criteria.

Responses to the RFP will be used by the ARRC to identify an administrator who could be responsible for the calculation and publication of forward-looking SOFR term rates. 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. The proposed SOFR term rate maturities should include 1-month and 3-month rates, and may include 6-month or 1-year rates as considered feasible.

“We are pleased to launch this RFP process,” said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley. “This is a necessary step in the ARRC’s assessment as to whether it will recommend a term SOFR rate and in ensuring that any recommended rate can be produced in a timely manner.”

The ARRC will evaluate proposals based on four specific criteria, including, technical criteria, firm criteria, public policy criteria, and calculation methodology criteria. Those interested in becoming the recommended administrator will submit responses that detail its ability to meet the ARRC’s requirements. Submissions will later be posted to the ARRC’s website.

Submitting Responses to the RFP

Questions and responses to the RFP should be sent to the ARRC Secretariat at arrc@ny.frb.org by October 31, 2020. Please provide only one response per institution, and please attach your responses in a PDF document with “Forward-Looking Term Rates RFP Response” clearly indicated in the subject line of your email.

The ARRC 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 recommended administrator. The recommended administrator must be prepared to begin publication of the forward-looking term rates by June 30, 2021.

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 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 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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