ARRC

Summary of the ARRC's Fallback Recommendations
October 6, 2021

This document summarizes the decisions that the ARRC has made to date concerning its recommended spread-adjusted fallbacks for contracts referencing U.S. dollar (USD) LIBOR. It is being published to provide a single document containing the key details regarding the recommendations that the ARRC has made, or intends to make in relation to its fallback language and to state legislation that references ARRC recommended fallbacks.

Background

The ARRC's Second Report, published in March 2018, noted that many contracts for cash products referencing LIBOR did not envision the possibility that LIBOR might permanently cease or had fallbacks that would not be economically appropriate if such an event occurred. The Second Report provided a survey of contractual fallbacks in various cash products referencing LIBOR and pointed out that, unlike derivatives covered by standardized documentation, cash instruments have a wide range of fallback language that in many cases is difficult to change ex post.

At the request of the Financial Stability Board, ISDA had previously agreed to work to produce more robust fallback language for derivatives contracts referencing LIBOR (see the box, ISDA's Fallbacks for Derivatives). However, there was no similar body working on more robust fallback language for cash products. The ARRC therefore followed up the Second Report with a set of Guiding Principles on recommended fallback language. The Guiding Principles were intended for market participants' voluntary use and to help them as they began to reformulate potential contract language for cash products. They included broad guidelines related to usage of successor rates, spread adjustments, and trigger events; encouraged consistency of terms and conditions across asset classes; and asked practitioners to consider feasibility and fairness of implementation.

At that time, the ARRC established several working groups to understand the range of fallback language in existing contracts, work with market participants to develop more robust fallback language, and ultimately publish consensus recommendations on such language. ARRC working groups have involved more than 300 different institutions, including lenders, borrowers, investors, and consumer advocacy groups.[1]

[1] In addition, reflecting the importance of its work, the ARRC's *ex officio* members include major financial market regulators in the United States, including the Commodity Futures Trading Commission, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Federal Reserve Bank of New York, Federal Reserve Board, National Association of Insurance Commissioners, New York Department of Financial Services, Office of Financial Research, Office of the Comptroller of the Currency, U.S. Department of Housing and Urban Development, U.S. Securities and Exchange Commission, and the U.S. Treasury. As the ARRC has explained, this "structure facilitates collaboration between the market and the official sector" and "allows the group to have diverse participation across financial services."

The ARRC's work on fallback recommendations included numerous consultations with market participants, each of which is publicly available. These consultations asked for views on key elements of robust fallback language:

Trigger Events: The ARRC consulted with market participants on what should constitute an event that would trigger the application of contractual fallbacks. In addition to triggers related to an official end date for LIBOR, there was widespread support for the inclusion of a "pre-cessation trigger" in fallback language; that is, fallback reference rates would be invoked if the regulatory supervisor of LIBOR issued a public statement that LIBOR was no longer a representative reference rate.

Replacement Rates: The ARRC's recommended language for floating rate notes, business loans, and securitizations included a "waterfall" of replacement rates to ensure that a reference rate would be available regardless of market development and the timing of LIBOR cessation. The choice of replacement rates was based on the ARRC's recommended replacement for USD LIBOR, the Secured Overnight Financing Rate (SOFR), and included both any potential ARRC-recommended term SOFR rate and averages of SOFR in arrears or in advance. Across product types, there was broad support for a term rate as the primary fallback if the ARRC had recommended such a rate, and this preference was reflected in the ARRC's waterfalls, although the ARRC also recognized in its recommendations that individual market participants could choose to remove the term rate as the first step of the waterfall. [2]

Spread Adjustments: The ARRC's Second Report noted that regardless of what rate was chosen as a LIBOR alternative, there would need to be an adjustment for the difference between LIBOR and the fallback rate. Respondents to the ARRC's consultations expressed strong support for the ARRC to recommend spread adjustments and to work to ensure that its recommended rates, spread adjustments, and spread-adjusted rates were published and made publicly available, and the ARRC committed to do so.

Recognizing the unique importance of clarity and certainty with respect to fallbacks for consumer contracts, the ARRC published a separate set of Guiding Principles for its work on consumer products. In line with these Principles, the ARRC proposed fallback language for consumer products that referenced LIBOR that was meant to be similar in outcome to those for other products, but was more simply formulated in order to be easily comprehensible and effectively communicated to all stakeholders.

[2] As discussed in further detail below, on July 29, 2021, the ARRC formally recommended the use of 1-, 3-, and 6-month term SOFR rates produced by the CME Group as a fallback for legacy LIBOR instruments and certain new contracts.

Following the work of each working group and the consultations, the ARRC published recommended contractual fallback language for floating rate notes, syndicated and bilateral loans, securitizations, consumer adjustable rate mortgages, and student loans.

While developing recommended fallback language that could be adopted in new contracts referencing LIBOR, the ARRC also recognized that not all contracts can or will be amended by the time of LIBOR cessation and that there will be a significant amount of legacy contracts outstanding that will have no clear or effective reference rate when the main tenors of USD LIBOR cease or become no longer representative immediately after June 30, 2023. To help to address this, the ARRC developed and promoted legislation for contracts governed by New York law to avoid the disruptions, market uncertainties, and confusion that would otherwise occur when LIBOR ends.

In March 2021, the New York State legislature passed legislation supported by the ARRC that provided clear fallbacks to any contract referencing LIBOR governed by New York law that otherwise has no effective fallback language, either because it is has no fallback or because it falls back to a LIBOR-based rate (or to a dealer poll to determine a LIBOR rate). Under the New York legislation, contracts referencing LIBOR and governed by New York law that do not provide effective fallbacks can transition to the applicable SOFR-based rate recommended by the ARRC, the Federal Reserve Board, or the Federal Reserve Bank of New York. The statute also enables parties that have discretion to select an alternative rate to opt into the statute and benefit from a safe harbor from litigation if they select an ARRC recommended SOFR-based fallback rate. The State of Alabama subsequently passed similar legislation. Federal legislation, as well as legislation in other states, continues to be actively considered.

The ARRC has stated that it expects to make recommendations for the New York and Alabama legislation that are consistent with its existing recommended fallback provisions.

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ISDA's Fallback Rates for Derivatives

ISDA began its work to create more robust fallback language for IBOR derivatives contracts in 2016. After consulting with market participants, reviewing responses, and developing a fallback methodology based on the consultation for most non-USD LIBOR currencies in 2018, ISDA sought views from market participants on their preferred methodology for fallback rates for USD LIBOR as well as rates in two other currencies in 2019. Results from the USD consultation showed consistent market preferences across currencies for fallback rates using spread-adjusted overnight risk-free reference rates.

ISDA's consultations sought market participants' views on several approaches to determining spread adjustments. A significant majority across different types of market participants preferred the 'historical mean/median approach,' which is based on the 5-year historical median difference between USD LIBOR and SOFR, for the spread adjustment. The majority of respondents also preferred to use the same form of spread adjustment across all benchmarks, including USD LIBOR, covered by ISDA's consultation.

Once the broad parameters of market preferences were known, ISDA followed up with a supplemental consultation on the fallback rate contractual details in late 2019. Following the results of this consultation, and a follow-up consultation on including a pre-cessation trigger, the United States Department of Justice ("DOJ") issued a business review letter addressing ISDA's fallbacks work on October 1, 2020. The DOJ noted that ISDA received "breadth of support" for its fallback proposals "during its consultation process soliciting input from the industry regarding possible adjustment approaches," and concluded that those proposals will have "substantial procompetitive benefits," including (1) "increasing . . . efficiency and certainty"; (2) avoiding the "time and effort needed to obtain quotes and calculate rates on a contract-by-contract basis"; (3) allowing counterparties to incorporate "the proposed fall back rates into existing derivatives contracts without having to individually re-negotiate the contracts"; and (4) reducing "the number of disputes surrounding the calculation of fall back rates should their IBORs be discontinued."

ISDA subsequently added the new fallbacks to its interest-rate derivative documentation for new derivatives and released its protocol to facilitate inclusion of the more robust fallbacks in legacy contracts among adhering parties, both of which became effective in January 2021, allowing counterparties who elect to adhere the protocol to adopt the more robust fallbacks in to legacy contracts. The protocol has since been very widely adopted by market participants.

In accordance with its consultations and its protocol, following the March 5, 2021 announcement by the UK Financial Conduct Authority that USD LIBOR would end, Bloomberg, as the vendor for the fallbacks in ISDA documentation, published the following values as the long-term spread adjustments, based on historical 5-year median spreads for between USD LIBOR and compounded averages of SOFR:

LIBOR tenor being replaced	Spread applied to SOFR based rate (bps)
1-week USD LIBOR	3.839
1-month USD LIBOR	11.448
2-month USD LIBOR	18.456
3-month USD LIBOR	26.161
6-month USD LIBOR	42.826
1-year USD LIBOR	71.513

The ARRC's Trigger Event Recommendations

As noted above, the ARRC's recommended fallback language included trigger events that were tied to official statements that LIBOR had or would either cease publication or cease to be considered to be representative by the UK Financial Conduct Authority (FCA), the regulator of LIBOR.

On March 5, 2021, ICE Benchmark Administration (IBA) stated that as a result of its not having access to input data necessary to calculate LIBOR settings on a representative basis beyond the intended cessation dates, it would have to cease publication of all 35 LIBOR settings immediately after the following dates:

- December 31, 2021:
  - All sterling, euro, Swiss franc, and Japanese yen LIBOR settings
  - 1-week and 2-month USD LIBOR
- June 30, 2023:
  - Overnight and 1-, 3-, 6- and 12-month USD LIBOR

IBA did not identify any successor administrator in its announcement. IBA did note that FCA could, at a later date, use proposed new powers to require IBA to publish LIBOR settings on a "synthetic" basis (i.e., publishing a risk-free term rate plus the associated recommended ISDA spread adjustment as LIBOR). The FCA also issued a separate announcement confirming that IBA had notified the FCA of its intent to cease providing all LIBOR settings. While FCA stated that, subject to the establishment of the new proposed powers, it would consult on the issue of requiring IBA to produce certain LIBOR tenors on a synthetic basis, it confirmed that all 35 LIBOR settings will either cease to be provided by any administrator or will no longer be representative as of the dates set out above.[3]

The ARRC confirmed its opinion that the March 5, 2021 announcements by ICE Benchmarks Administration and the U.K. Financial Conduct Authority on future cessation and loss of representativeness of the LIBOR benchmarks constituted a "Benchmark Transition Event" with respect to all USD LIBOR settings pursuant to the ARRC fallback recommendations.[4] As noted in the preceding box, ISDA likewise stated that the FCA's announcement constituted an "Index Cessation Event" under the IBOR Fallbacks Supplement (Supplement Number 70 to the 2006 ISDA Definitions) and the ISDA 2020 IBOR Fallbacks Protocol.

At a practical level, the implication of these announcements are that the ARRC's recommended long-run spread adjustments (discussed in greater detail below), and the spread adjustments

[3] The FCA has consulted on whether to require IBA to produce synthetic 1-, 3-, or 6-month sterling and yen LIBOR rates and has noted that it could similarly eventually consult on synthetic 1-, 3-, or 6-month USD LIBOR, but has stated that all other LIBOR tenors will cease as of December 31, 2021 or June 30, 2023 respectively and that any synthetic LIBOR rates would be permanently non-representative and for legacy instruments only.

[4] For additional information, see the ARRC FAQs Regarding the Occurrence of a Benchmark Transition Event.

for fallbacks in ISDA's documentation, were set as of March 5, 2021. Under the ARRC's recommended fallback language, the actual transition from USD LIBOR to the SOFR-based replacement rate will not take place until the first business day after Dec. 31, 2021 or June 30, 2023 as applicable based on the tenor of USD LIBOR referenced.

The ARRC's Replacement Rate Recommendations

The ARRC's recommended replacement rates are based on SOFR. In line with the recommendations of the Financial Stability Board and the Financial Stability Oversight Council, the ARRC was convened by the Federal Reserve Board and Federal Reserve Bank of New York, with support from the U.S. Treasury and CFTC, in order to identify a robust, IOSCO compliant alternative to USD LIBOR. In 2017, the ARRC identified SOFR, which is based on overnight Treasury repo transactions, as its recommended alternative to USD LIBOR after considering a comprehensive list of potential alternatives, including other term unsecured rates, overnight unsecured rates such as the Effective Federal Funds Rate ("EFFR") and the Overnight Bank Funding Rate ("OBFR"), other secured repurchase agreements ("repo") rates, U.S. Treasury bill and bond rates, and overnight index swap rates linked to EFFR. After extensive discussion, the ARRC preliminarily narrowed this list to two rates that it considered to be the strongest potential alternatives: the OBFR and an overnight Treasury repo rate. The ARRC discussed the merits of and sought feedback on both rates in its 2016 Interim Report and Consultation and in a public roundtable. The ARRC made its final recommendation of SOFR after evaluating and incorporating feedback from the consultation and from the broad set of end users on its Advisory Group.

As noted above, the ARRC's consultations showed that the clear majority of respondents preferred to fallback to an ARRC-recommended SOFR term rate in order to support the smooth transition of legacy contracts away from USD LIBOR. For this reason, although the ARRC recognized that falling back to other forms of SOFR would be in line with its principles, under the recommended contract language for floating rate notes, bilateral and syndicated business loans, and securitizations, the first step of the fallback waterfall is a forward-looking, SOFR-based term rate (provided one has been recommended in the appropriate tenor) by the ARRC. Currently, the ARRC has endorsed the 1-month, 3-month, and 6-month SOFR term rates produced by the CME and supported their use in legacy products and certain new products. CME has stated that it also intends to produce a 1-year SOFR term rate, but the ARRC will need to evaluate this rate separately before deciding whether to recommend it. [5] CME does not intend to produce 1-week or 2-month SOFR term rates, and the ARRC does not expect to recommend any term rate for these tenors. Accordingly, the ARRC's recommended

[5] The ARRC has issued a recommended Scope of Use for these SOFR term rates and also released an FAQ document in relation to its recommendations. Even with the ARRC's recommendation of forward-looking term SOFR rates produced by CME, the ARRC has encouraged market participants to directly use overnight SOFR and SOFR averages in most new cash products and has recognized that some counterparties to floating rate notes, securitization, or business loan contracts may prefer to fall back directly to a compound average of SOFR, either because they view it as simpler or because they wish to align with fallbacks in related derivatives, since ISDA's updated USD LIBOR definitions and protocol for derivatives contracts will fall back to a compound average of SOFR in arrears.

replacement rates for these two USD LIBOR tenors, which are generally little used, will be based on averages of SOFR set either in arrears or in advance, depending on the specific product.

The ARRC's Spread Adjustment Recommendations

In recognizing the need for a transparent spread methodology that would be deemed fair by all counterparties and serve the procompetitive objectives identified by the DOJ, the ARRC solicited views from market participants on a variety of potential spread adjustment methodologies for cash products in early 2020. The spread adjustment methodology consultations sought views from a wide range of stakeholders, including issuers and holders of floating rate notes, syndicated loans, business loans, securitizations and consumer products referencing LIBOR.

The ARRC's spread recommendations for fallback provisions, like the fallbacks implemented in ISDA documentation, are static – that is, they are fixed at a point in time upon the occurrence of a trigger event (in this case, March 5, 2021). The ARRC did not consider dynamic spread adjustments because these would need to be based on the same wholesale unsecured funding markets that underpin LIBOR and that have now grown to be very thin.

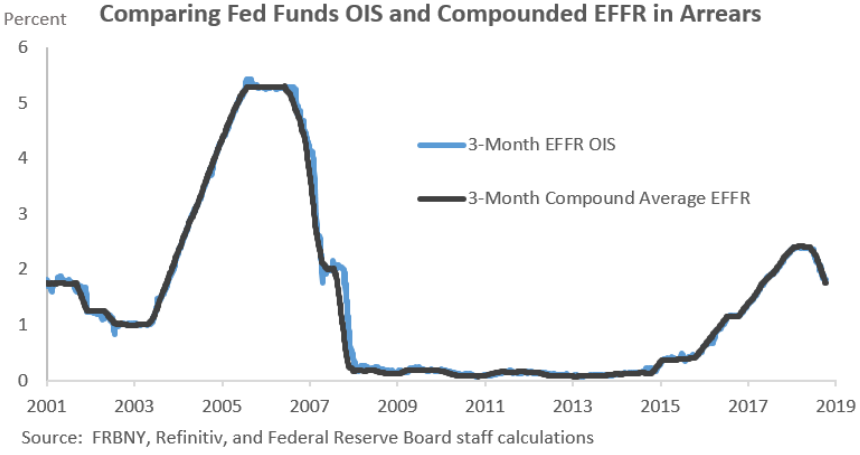
In its consultations, the ARRC presented a range of historical data and analysis providing information on how different potential spread methodologies would have performed over different time periods, including an analysis of the mean absolute error (MAE) over 1999-2019 that would have been incurred on a hypothetical loan that had moved from LIBOR to the effective federal funds rate (which was used as a proxy for SOFR) plus a static spread. In addition, the ARRC compared the MAE for a LIBOR loan that moved from LIBOR to the Federal Reserve's financial CP series, which was used as a proxy for a dynamic spread adjusted rate. The table below from the ARRC's initial consultation demonstrated that a static spread like the spread adjustment used in fallbacks implemented in ISDA's documentation for derivatives could produce results that are as, or more, accurate than a potentially dynamic spread. The financial CP series included for analysis in the table represents a potential dynamic spread that is based on the same unsecured funding markets that are reflected by LIBOR, but despite that, as shown below, historically, a static spread adjustment over SOFR would have produced more accurate results over the period as a whole.

Table 1: Historical Differences Between Returns on a LIBOR Loan and Spread-Adjusted Rates

Loan with 1-year remaining maturity	MAE
Static Spread Based on 5-Year Median Spread to SOFR In Advance	0.10
Dynamic Spread Using 1-Month Financial CP Series	0.11
Loan with 5-years remaining maturity	MAE
Static Spread Based on 5-Year Median Spread to SOFR In Advance	0.08
Dynamic Spread Using 1-Month Financial CP Series	0.11

Data sources: FRBNY, Federal Reserve Board, Refinitiv, and Federal Reserve Board staff calculations. Annualized differences in returns (in percentage points) in a loan based on 1-month LIBOR and a loan based on a spread-adjusted rate. MAEs calculated over 1999-2019 and reported in percentage points.

The ARRC's analysis found that the spread adjustment methodology for fallbacks in ISDA's documentation would also have historically worked well in cash markets. And although in theory different methodologies could be used for each version of SOFR, in practice the ARRC's historical analysis found that the same parameters appeared to work well across the different versions of SOFR. This is perhaps not surprising, since the different versions are all closely linked. An average of SOFR in advance is simply a lagged version of an average in arrears, and the SOFR term rates represent the market expectation of compounded SOFR in arrears. As shown, a term rate based on fed funds futures has historically moved very closely with a compounded average of EFFR in arrears.



Based on the responses received, the ARRC concluded its initial consultation on cash market spreads with a statement on April 8, 2020 that, in line with the clear majority of responses, it's recommended fallback spread adjustment methodology would be based on a historical median

over a five-year lookback period, calculated as the difference between USD LIBOR and SOFR. This methodology aligns with the fallback methodology in ISDA's documentation for derivatives.

For purposes of clarity, on May 6, 2020, the ARRC released a supplemental consultation asking market participants to consider the option to use the same spread adjustment values that would be used for fallbacks in ISDA's documentation across all of the different forms of SOFR fallback rates, rather than using the same adjustment methodology to calculate a different spread adjustment for each potential fallback rate. The supplemental consultation also sought views on whether the ARRC's spread adjustment should match the timing of fallbacks in ISDA's documentation if a pre-cessation event was operative. Again, based on the clear preference of respondents, the ARRC concluded its supplemental consultation with a statement that its recommended spread adjustments for commercial (non-consumer) cash products would match the spread adjustment values for fallbacks in ISDA's documentation.

Consumer Products

As noted above, recognizing the unique nature of consumer products and particular importance of having clarity and certainty in regards to them, the ARRC published a separate set of guiding principles for consumer product fallbacks, and it also asked a separate set of questions related to its recommended spread adjustments for such products. The ARRC also consulted extensively with consumer advocacy groups and members of its Consumer Products Working Group before finalizing its recommended fallbacks for these products.

The ARRC's recommended fallbacks recognize that rates for consumer products must be set in advance. Accordingly, based on its consultations, the ARRC recommended the following underlying SOFR fallback rates for consumer products:

USD LIBOR Tenor	Will move to
1-week	30-day Average SOFR
1-month	1-month CME Term SOFR
2-month	30-day Average SOFR
3-month	3-month CME Term SOFR
6-month	6-month CME Term SOFR
1-year	1-year term SOFR if the ARRC has recommended a 1-year term rate, otherwise 6-month CME Term SOFR

As with other cash products, for those LIBOR tenors where the ARRC has recommended a term rate, the ARRC recommends that term rate as the basis for its fallback for consumer products covered by ARRC fallback language or legislation. Specifically, for consumer legacy contracts,

the ARRC recommends that the spread-adjusted CME 1-month, 3-month, and 6-month term SOFR replace the 1-month, 3-month and 6-month LIBOR respectively.

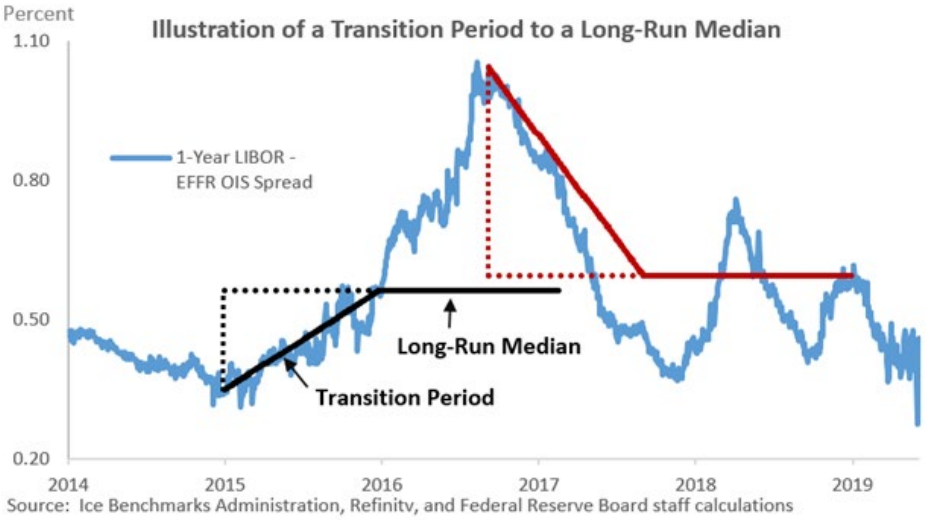
For 1-week and 2-month LIBOR, where there will be no ARRC-recommended term rate, the ARRC recommends the 30-day SOFR averages published by the Federal Reserve Bank of New York. However, the ARRC is not aware of any consumer products using 1-week and 2-month LIBOR.

For 1-year LIBOR, which the ARRC understands is really only prevalently used in residential adjustable rate mortgages that reset annually following an initial fixed-rate period, the basis for the ARRC's recommended fallback will be to a spread-adjusted 1-year SOFR term rate if the ARRC has endorsed one, and to a comparably spread-adjusted CME 6-month SOFR term rate as the closest available alternative fallback rate if it has not recommended a 1-year term rate. The ARRC will develop any and all remaining final details of its recommended fallbacks rates for consumer products no later than one year before the date when 1-year USD LIBOR is expected to cease (i.e., by June 30, 2022) to provide market participants sufficient time to prepare for an orderly transition.

As with commercial contracts, the ARRC's consultations showed that stakeholders preferred that the ARRC's recommended fallback spread adjustments match the spread adjustment values for fallbacks in ISDA's documentation. The ARRC believes that this recommendation is the best way to ensure that contracts are converted fairly in transactions that adopt its recommended fallbacks, because consumers will receive the same spread adjustment as every other market participant that has adopted those fallbacks, including the largest lenders and borrowers.

Respondents did prefer that the ARRC's recommended spread adjustments for consumer products include a 1-year "transition period" in the implementation of this spread. Historically, LIBOR-OIS spreads have reverted to longer-term levels within a period of about a year or so; a transition period is designed to account for this by starting at the recent level of the spread to LIBOR when the transition to SOFR occurs and then smoothly converging to the longer-term spread level over the following year. Without a transition period, the spread adjustment would be set immediately to its longer-term level. Although, without a transition period, it is possible that the spread-adjusted rate would be appreciably lower than the last LIBOR, it is also possible that the spread-adjusted rate would be appreciably higher, if the last LIBOR spread was well below the longer-term level. The recommended transition period is intended to avoid either such sudden change in the rates paid by borrowers.

The ARRC's consultation showed that the potential difference between switching immediately to a longer-term spread and more gradually moving toward that spread, using a 1-year transition period helped to improve the historical accuracy of the adjustment. This was illustrated in the following figure.



Had LIBOR ceased to be representative in early 2015, without a transition period (the dashed black line), the spread adjustment (and the rate paid by the borrower whose loan reset soon after LIBOR stopped) would have jumped up immediately by about 30 basis points. In reality, spreads did eventually move up, although not immediately. A 1-year linear transition from an unusually wide spread to the average (shown by the solid black line) would have avoided a sudden jump in rates for a consumer whose loan reset and would have more accurately matched the subsequent moves in LIBOR. Had LIBOR instead ceased to be representative in mid-2016 when spreads were unusually high (shown by the red lines), without a transition period the spread adjustment (and the rate paid by a borrower whose loan reset) would have jumped down immediately by roughly 60 basis points. In reality, spreads moved down more gradually, and a 1-year linear transition would have more closely mimicked the actual behavior of LIBOR.

Given the analysis above and its consultations, the ARRC has recommended a 1-year transition for consumer products to be implemented in the following manner:

> The ARRC's recommended short-term spread adjustment for consumer products will be the 2-week average of the LIBOR-SOFR spread up to the replacement date (the replacement date for products using 1-month, 3-month, 6-month, and 1-year LIBOR is July 3, 2023; as noted above, the ARRC is not aware of any consumer products using 1-week and 2-month LIBOR, which will cease publication immediately after December 31, 2021). Over the first "transition" year following the replacement date, the daily published short-term spread adjustment for any loan reset will move linearly toward the longer-term fixed spread adjustment. After the initial transition year, the spread adjustment will be permanently set at the longer-term fixed rate spread.

As a result of the inclusion of a transition period, the official ARRC-recommended spread adjusted fallback rates for consumer products that use 1-month, 3-month, 6-month, and 1-year LIBOR and reflect its specified 1-year transition period will be available from Monday July 3, 2023. These recommended rates will ensure that consumers do not encounter a sudden

change in their monthly payments when LIBOR ceases to be available on the replacement date. As discussed below, the ARRC's recommended spread-adjusted rates will be published by Refinitiv and will be made available without cost for consumers to view. Prior to the replacement date, "beta" versions of these spread adjusted rates will be published; these beta rates are not the final versions, which can only be calculated at the time of the replacement date based on the starting spread adjustment value for the transition period, nor are they intended for use in consumer contracts but instead are meant only to provide indicative information describing what the initial spread-adjusted rates would be if LIBOR was to stop before the replacement date.

Publication of the ARRC's Recommended Spread-Adjusted Rates

Following the consultations regarding its recommended spread adjustments, the ARRC sought an administrator to publish the recommended spread-adjusted rates. In August 2020, the ARRC formed a steering group to identify an administrator based on criteria established to ensure a fair and transparent selection process. The steering group developed, and the ARRC approved, a request for proposals that was released on September 2, 2020.

The request for proposal asked potential administrators to describe their firm's processes for daily publication of indicative spreads and, after a trigger event had occurred, static spreads and spread-adjusted fallback rates for cash products that were to transition away from USD LIBOR. Specifically, the request asked potential administrators to describe how they would:

- Use the ARRC's recommended methodology to calculate daily spreads for each corresponding LIBOR tenor currently published.
- Apply the calculated spreads to the corresponding rates (e.g., compounded in arrears and in advance SOFRs, term SOFR if available, and simple SOFR).
- Make the published data available to other vendors and publishers at reasonable cost.
- Publish the calculated spreads, and the resulting rates on a readily accessible website without cost to the general public and in a format that meets the needs of U.S. regulatory agencies.

The steering group evaluated proposals from five firms that responded to the RFP based on pre-established criteria. While all five proposals were deemed high quality by the steering group, three scored highest on the criteria, based largely on the thoroughness of their responses and their descriptions of robust publication processes. The steering group interviewed, by video, representatives of these three firms and followed up with written questions. Based on the initial responses, interviews, and answers to follow up questions, the steering group made a preliminary recommendation to the ARRC at its December 2020 meeting to choose *Refinitiv* as administrator.

The steering group followed up with a formal recommendation at the ARRC's January 2021 meeting. ARRC members approved the recommendation in a February 2021 meeting and, in

March 2021, the ARRC announced its decision to select Refinitiv as its recommended administrator.

Refinitiv released beta versions of its spreads and spread-adjusted rates pages on August 11, 2021. Refinitiv USD IBOR Consumer Cash Fallbacks are designed to ensure existing USD LIBOR referencing consumer cash products such as mortgages and student loans can continue to operate post-USD LIBOR cessation. Refinitiv USD IBOR Institutional Cash Fallbacks are intended for non-consumer cash products and include spread-adjusted rates based several variations for different lookback and lockout periods as well as compounding conventions Refinitiv has published a whitepaper providing details on the methodology it uses to produce these spread-adjusted rates.