

July 11, 2022

ARRC Welcomes Statement by Refinitiv that it Intends to Publish ARRC-Recommended Fallback Rates Based on CME Term SOFR Rates in September

The Alternative Reference Rates Committee (ARRC) welcomes today's [statement by Refinitiv](#) that it intends to begin publishing ARRC-recommended fallback rates based on the CME Term SOFR rates in September 2022. The ARRC has officially endorsed the use of spread-adjusted 1-month, 3-month, 6-month, and 12-month CME Term SOFR rates for use in legacy LIBOR cash products that will convert to SOFR under the terms of the ARRC's recommended fallback language.¹ The ARRC has identified Refinitiv to publish its recommended spread-adjusted fallbacks, and Refinitiv has secured the necessary licensing agreements with CME to publish these rates.

The ARRC believes that Refinitiv's publication of its recommended spread-adjusted fallback rates will be especially helpful for legacy consumer loans, where consumers will need clear and simple resources that can provide them access to the new rate that will replace LIBOR in their contracts. The ARRC has worked with Refinitiv in its design of a specific web page that consumers can be directed to in order to find the most recently available rate and its recent history. Refinitiv will also separately publish institutional cash fallback rates for use with other, non-consumer cash products, which a wider variety of market participants may find useful.

Noteholders and Servicers wishing to use the ARRC recommended rates as a replacement to LIBOR after June 30, 2023 in legacy consumer loan contracts can refer consumers to the **Refinitiv USD IBOR Consumer Cash Fallback** rate corresponding to the 1-month, 3-month-, 6-month, or 12-Month tenor of LIBOR used in the loan, as applicable. These fallback rates will include the 1-year "transition period" spread adjustment recommended by the ARRC and also included in the [Adjustable Interest Rate \(LIBOR\) Act](#). Refinitiv will publish indicative prototypes of the consumer fallback rates through June 30, 2023, when the transition-period spreads will be officially set and incorporated into the published fallback rates. The indicative consumer cash fallback rates are intended to allow servicers to transition their systems and for testing purposes only. The ARRC's recommended fallbacks for legacy consumer loans will go into effect when the transition period spread has been officially set, *after* June 30, 2023.

"The ARRC has worked closely with consumer advocacy groups and with lenders and other key stakeholders in developing its recommended fallback rates for consumer loans, and believes that Refinitiv's publication of these ARRC-recommended fallback rates will provide an essential tool for a smooth transition. Refinitiv's rates can also be a useful tool for other cash products, and we are pleased to see them move towards publication," said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley.

¹ The ARRC [endorsed](#) the use of 1-month, 3-month, and 6-month CME Term SOFR rates for use in legacy cash fallbacks in July 2021 and has subsequently [endorsed](#) the 12-month rate this year.

ALTERNATIVE REFERENCE RATES COMMITTEE

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 SOFR as the rate that it recommends 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 support the voluntary 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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