

ARRC Operations and Infrastructure Working Group¹

Use of the DTCC LIBOR Replacement Index Communication Tool to Support Transition Away from USD LIBOR

In connection with the launch of the DTCC's LIBOR Replacement Index Communication Tool, the ARRC's Operations and Infrastructure Working Group has prepared a series of questions and answers that may be useful to market participants as they learn how to most effectively utilize the Tool to help facilitate a smooth transition of legacy contracts. In particular, this document lays out potential questions about using the DTCC LIBOR Replacement Index Communication Tool in scenarios in which USD LIBOR will be replaced by another benchmark when USD LIBOR ceases or is no longer representative (which is expected to occur for resets occurring after June 30, 2023).

For reference, the DTCC LIBOR Replacement Index Communication Tool (LIBOR Tool) is a mechanism to communicate information directly to DTC's Legal Notice System (LENS) about that transition for any security identified by a CUSIP. The LIBOR Tool has been structured to allow for a streamlined submission process for a range of potential replacement rates that appear in the [Term SOFR](#) and [Alternative Reference Rate](#) Data Dictionaries, but can also be used for any other replacement rate. In order to use the LIBOR Tool, a party authorized to submit information to LENS may, but is not required to, identify itself as the party responsible for determining the applicable benchmark replacement under the terms of the security and applicable law (such as, for example, the "calculating person" under the U.S. Federal Adjustable Interest Rate (LIBOR) Act (referred to below as the "Federal LIBOR Act"). For more information about the LIBOR Tool, see the [DTCC website](#).

Potential Use Cases

1) Is the LIBOR Tool available for any security that references USD LIBOR and is identified with a CUSIP?

Yes. The LIBOR Tool system is available for any USD LIBOR security that is identified using a CUSIP and for which the replacement rate is among the list of drop-down choices. The LIBOR Tool is not available for a security that does not have a CUSIP or for any security that has a replacement rate not included in the Data Dictionaries.

¹ NOTE: This document is for general information purposes and is not intended to be and should not be taken as legal advice. The treatment of any specific security will depend on its precise details and the laws it is governed by. Potential users of the LIBOR Tool should consult with their legal advisors to understand the exact nature of each security. Additional information about LIBOR transition is available in materials published by the ARRC, such as the [LIBOR Transition Playbook](#), the [US LIBOR Transition site](#), and the [DTCC LIBOR product site](#).

2) Is the LIBOR Tool available for a security that falls back to a specific non-LIBOR benchmark (such as SOFR, Prime, or Fed Funds)?

Yes, the LIBOR Tool system can be used to communicate a wide range of replacement rates as indicated in the Data Dictionaries.

3) Is the LIBOR Tool available for a security that falls back to a benchmark that is based upon a contractual “waterfall” (such as the ARRC’s recommended fallback language)?

Yes. The LIBOR Tool system can accommodate the ARRC’s recommended SOFR-based fallbacks and several other potential fallback rates that may be part of a contractual waterfall. Although the change of rate will be contractually determined in these instances, investors will still need to know that these rate changes have occurred. Submitting persons are therefore encouraged to use the LIBOR Tool to communicate rate changes even when they are determined by contractual fallback.

4) Is the LIBOR Tool available where the replacement benchmark for a security is applied by operation of law under the Federal LIBOR Act?

Yes. The LIBOR Tool system can accommodate the Federal Reserve Board’s selected benchmark replacements and, although the LIBOR Act will replace LIBOR with the Board-selected benchmark as a matter of law in certain contracts, investors will still need to know that this rate change has occurred. Submitting persons are therefore encouraged to use the LIBOR Tool to communicate rate changes even when the replacement rates apply by operation of law.

5) Is the LIBOR Tool available where the replacement benchmark for a security is selected by a “determining person” under the Federal LIBOR Act?

Yes. Any rate change chosen by a “determining person,” or any party or set of parties with responsibility for selecting, determining or implementing a replacement rate available within the Data Dictionaries, can be communicated via the LIBOR Tool system.

6) Is the LIBOR Tool available for a security that is governed by non-U.S. law?

Yes. Use of the LIBOR Tool system is not contingent upon the security being issued under U.S. law; the system can also be used to communicate rate changes for securities issued under foreign law; however, as stated above, the security needs to have a valid CUSIP number. Issuers and submitting persons should seek legal advice as to whether the use of the LIBOR Tool will satisfy any terms of the security or applicable law with regards to communication of rate changes.

7) Is the LIBOR Tool available for a security that references a “synthetic LIBOR” rate?

Use of the LIBOR Tool system is not needed for a LIBOR security if it references a synthetic LIBOR rate because synthetic LIBOR rates, if published, will continue to appear as LIBOR. However, the LIBOR Tool can be used, if the submitter chooses, to indicate that the security will reference synthetic LIBOR, and the LIBOR Tool can and should be used when the synthetic LIBOR rate ceases to be published and the replacement benchmark is determined.