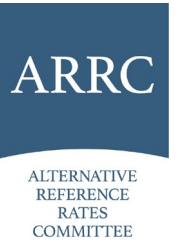


Best Practices for Completing Transition from LIBOR

See complete best practices [here](#)



With 19 months remaining until LIBOR could become unusable, the ARRC's best practices outline a set of key recommended transition milestones that market participants should aim to achieve across **floating rate notes, business loans, consumer loans, securitizations, and derivatives**.

These milestones, as well as the internal planning recommendations that the ARRC suggests for all relevant organizations, are grounded in the ARRC's core guidance for preparing for the transition:

- 1** To the extent not already utilized, new USD LIBOR cash products should include ARRC-recommended, or substantially similar, fallback language as soon as possible.
- 2** As [previously announced](#), third-party technology and operations vendors relevant to the transition should complete all necessary enhancements to support SOFR by the end of this year.
- 3** New use of USD LIBOR should stop, with timing depending on specific circumstances in each cash product market.
- 4** For contracts specifying that a party will select a replacement rate at their discretion following a LIBOR transition event, the determining party should disclose their planned selection to relevant parties at least six months prior to the date that a replacement rate would become effective.

Alternative Reference Rates Committee

Best Practices for Completing Transition from LIBOR (Continued)

Best Practices



Institutions should take active steps to meet the timelines set out in the recommended transition milestones.



Institutions should have clear internal programs in place to prepare for a transition away from USD LIBOR, including a rigorous assessment of exposures. They should refer to the ARRC's [Practical Implementation Checklist for SOFR Adoption](#) (Checklist) for more detailed guidance and background.



Institutions should be aware of additional ARRC recommendations and should incorporate additional ARRC recommended conventions into new contracts. Institutions should have ongoing dialogue with their key stakeholders to promote awareness of the transition and their preparedness for it.

Recommended Transition Milestones

Product	Hardwired fallbacks incorporated by	Tech / Ops Vendor Readiness	Target for Cessation of New use of USD LIBOR	Anticipated fallback rates to be chosen by
Floating Rate Notes	<ul style="list-style-type: none"> 6/30/2020 	<ul style="list-style-type: none"> 6/30/2020 	<ul style="list-style-type: none"> 12/31/2020 	<ul style="list-style-type: none"> 6 months prior to reset after LIBOR's end
Business Loans	<ul style="list-style-type: none"> Syndicated Loans: 9/30/2020 Bilateral Loans: 10/31/2020 	<ul style="list-style-type: none"> 9/30/2020 	<ul style="list-style-type: none"> 6/30/2021 	<ul style="list-style-type: none"> 6 months prior to reset after LIBOR's end
Consumer Loans	<ul style="list-style-type: none"> Mortgages: 6/30/2020 Student Loans: 9/30/2020 	<ul style="list-style-type: none"> Mortgages: 9/30/2020 	<ul style="list-style-type: none"> Mortgages: 9/30/2020* 	<ul style="list-style-type: none"> In accordance with relevant consumer regulations
Securitizations	<ul style="list-style-type: none"> 6/30/2020 	<ul style="list-style-type: none"> 12/31/2020 	<ul style="list-style-type: none"> CLOs: 9/30/2021 Other: 6/30/2021 	<ul style="list-style-type: none"> 6 months prior to reset after LIBOR's end
Derivatives	<ul style="list-style-type: none"> Within 3- to 4-months of publication and before the amendments to embed the fallbacks in legacy transactions take effect 	<ul style="list-style-type: none"> Dealers to take steps to provide liquid SOFR derivatives markets to clients 	<ul style="list-style-type: none"> 6/30/2021 	

*The September 30, 2020 date for consumer loans refers to new applications for closed-end residential mortgages using USD LIBOR and maturing after 2021.