

December 6, 2019

## **ARRC Chair Tom Wipf's Opinion-Editorial on Transitioning to SOFR**

Tom Wipf, Alternative Reference Rates Committee (ARRC) Chair and Vice Chairman of Institutional Securities at Morgan Stanley, authored a [Bloomberg opinion-editorial](#) about the transition to the Secured Overnight Financing Rate (SOFR). SOFR is published by the Federal Reserve Bank of New York and it is the ARRC's recommended alternative to U.S. dollar (USD) LIBOR.

"The end of Libor as a benchmark for interest rates on everything from mortgages to credit cards is just two years away, leaving the market in search of a viable substitute," wrote Wipf. "... While many milestones have been reached, two years is a short period to close out the remaining tasks. The strength of institutions individually, and the architecture of the financial system broadly, relies on everyone doing their part to ensure a smooth transition to SOFR."

In the article, Wipf underscored the importance of moving away from LIBOR, addressed concerns about SOFR in the context of year-end money market pressure, and highlighted the New York Fed's recent [consultation](#) on the publication of SOFR averages and a SOFR index. The comment period for the consultation [has been extended](#) until January 10, 2020.

### **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 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 the 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 the 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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