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ARRC Releases Final Reflections and Announces its Conclusion Following a Successful Transition

Closing Report Outlines Key Areas to Maintain a Robust System of Reference Rates Going Forward

The Alternative Reference Rates Committee (ARRC) today released the ARRC Closing Report: Final Reflections on the Transition from LIBOR and announced the conclusion of the group itself, following a successful transition from U.S. dollar (USD) LIBOR.

Indeed, the Closing Report highlights key areas that the ARRC believes firms should focus on going forward to preserve the robust system of reference rates achieved through the decade-long transition effort. This report, and other critical transition tools and recommendations, will remain relevant and available on the ARRC's website despite the group's completion.

"The prospect of smoothly transitioning away from LIBOR was once widely seen as impossible. Now, the transition, and the ARRC's efforts to support that transition, serve as a testament to what can be accomplished through dedicated public-private partnerships. We must uphold the lessons from the transition to avoid ever needing to repeat it again," said John C. Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York.

"After a decade of active engagement, countless tools, and thoughtful recommendations, the ARRC has enabled a successful transition to SOFR. While the ARRC is ending, its work will live on. I urge all market participants to take the Closing Report's messages to heart to ensure robust reference rates endure," said Peter Phelan, ARRC Chair and Managing Director in the Office of the Chief Operating Officer at Citi.

The Closing Report provides an overview of the ARRC's history—describing the scale of the LIBOR issues, the ARRC's formation, and key transition milestones. It highlights three areas for firms to continuously prioritize:

1. Active review of any reference rates that firms may consider using;
2. Appropriate fallback language for any contractual use of reference rates; and,
3. Maintaining an appropriate balance between use of SOFR and Term SOFR.

As noted in the Closing Report, the ARRC emphasizes that market participants should seek to avoid the mistakes that were made with LIBOR and consider their exposures to reference rate benchmarks in the same way that they consider other material sources of risk.

While the ARRC will wind down, the Closing Report also notes that the New York Fed plans to launch a new sponsored group in 2024 to focus on promoting the integrity, efficiency, and resiliency in use of reference rates across financial markets. It is envisioned that this group will build on the legacy of the ARRC's work by promoting its critical best practice recommendations.

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 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 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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