

**To: Full ARRC Membership**

August 10, 2020

**Re: Preparing to Adhere to ISDA's Protocol**

ARRC members:

As discussed at the August 5 ARRC meeting and in [a recent statement](#), the International Swaps and Derivatives Association (ISDA) is preparing to release its IBOR Fallback Protocol and IBOR Fallback Supplement that will implement new fallbacks for legacy and new derivative contracts, respectively. Consistent with the ARRC's [recommended Best Practices](#) in support of broad adherence to the Protocol, I urge every ARRC member to be prepared to sign onto the Protocol because the opportunity to do so will be available soon.

I realize all of you are well aware of how significant the Protocol will be in preserving derivatives market functioning and allowing LIBOR derivatives contracts to continue to perform through the transition.

In particular, the Protocol is critical to buttressing existing derivative contracts with durable fallbacks, recognizing that ARRC members cannot rely on LIBOR being published after the end of 2021. By adhering to the Protocol, your firm will be protecting itself from the risk of disruption should LIBOR become unavailable. That's because adherents to the Protocol will agree that existing derivative transactions that they have entered into with other adherents will incorporate ISDA's new fallback language.

In a recent [letter](#) to the ARRC and other national working groups, ISDA outlined its plans for issuing both the Protocol and Supplement. Before the official launch, many institutions will be able to sign up to adhere to the Protocol "in escrow." By doing so, they will be included among the list of adherents announced at the time of the Protocol's official launch.

Widespread adherence to the IBOR Fallback Protocol is a vital step in the transition to more robust reference rates, and is essential to addressing both individual firm risks and systemic risks associated with the discontinuation of LIBOR.

As noted in the ARRC's [Best Practices](#), our primary recommendation regarding derivatives is that market participants adhere to the Protocol before it goes into effect. With the release of the Protocol approaching imminently, the moment for market participants to start preparing to implement this recommended Best Practice is now.

I know it takes time and close coordination within your institutions to adhere to the Protocol — so do not wait for the Protocol's official launch to prepare. I encourage everyone to start the conversation about this at your institutions immediately, so that they will be in a position to adhere to the Protocol as soon as possible. In particular, and consistent with the ARRC's

## ALTERNATIVE REFERENCE RATES COMMITTEE

recommended Best Practices, I urge everyone who is able to sign onto the Protocol during the escrow period to be prepared to do so.

Thank you for your consideration and please feel free to share this letter broadly.

Thanks,

Tom Wipf

*ARRC Chair and Vice Chairman of Institutional Securities at Morgan Stanley*