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ARRC Welcomes the Launch of DTCC's LIBOR Replacement Index Communication Tool

DTCC Communication Tool is Now Live

The Alternative Reference Rates Committee (ARRC) welcomes the statement by the Depository Trust & Clearing Corporation (DTCC) highlighting the official launch of its LIBOR Replacement Index Communication Tool. The ARRC has recommended that all determining persons, their agents, or other parties responsible for the dissemination of the change information regarding LIBOR debt and securitizations with CUSIPs should use DTCC's LIBOR Replacement Index Communication Tool for communicating rate and conforming changes.

Maintaining and conveying accurate information about chosen alternative reference rates and convention changes is critical for a successful transition. The LIBOR Replacement Index Communication Tool helps achieve this vital function by providing consistency of rate and conforming change information for securities with CUSIPS via user-friendly input templates and by providing connectivity across the financial eco-system from issuers to investors and holders of the securities via widely accessible automated output. The consistency and connectivity provided by the tool aim to facilitate a smooth transition and to reduce the potential operational risk associated with transitioning legacy contracts, including around potential reconciliation breaks of future coupon payments. For more information regarding the tool's applicability under various USD LIBOR replacement scenarios, please refer to the ARRC's guide to common usage questions.

"The sheer volume and complexity of securities transitioning from LIBOR requires an efficient, systematic approach to effectively communicate those changes across all parties involved. Through close collaboration across the industry led by the ARRC and DTCC, this critical gap has been filled with the launch of DTCC's LIBOR Replacement Index Communication Tool. Widespread usage of this tool will be an important component to help ensure a successful transition," said Tom Wipf, ARRC Chair and Vice Chair at Morgan Stanley.

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 it recommends 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 support the voluntary 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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