

**RFP for Vendor to Publish ARRC-Recommended
LIBOR Fallback Spread Adjustments and Spread-Adjusted Rates**

I. Introduction

The Alternative Reference Rates Committee (ARRC) seeks a firm, or firms, to publish daily indicative spreads and, after a trigger event has occurred, static spreads and spread-adjusted fallback rates for cash products that transition away from U.S. dollar LIBOR (LIBOR).¹ These spread-adjusted fallback rates will be based on the Secured Overnight Financing Rate (SOFR) and are designed for use in legacy contracts with the ARRC's recommended hardwired fallback language and other instances where spread-adjusted replacement rates are needed. The ARRC plans to officially endorse such fallback rates, tailored for each product, after the indicative rates are published by the vendor.¹ See the attached Appendix for details on the spreads and rates required.

As background, the ARRC conducted two market-wide consultations this year regarding the appropriate methodology for its recommended spread adjustments. Based on the feedback from these consultations, the ARRC recommended a spread adjustment methodology based on the historical median difference between LIBOR and SOFR over a five-year lookback period prior to a trigger event.² The ARRC specified that its recommended spread adjustment values for commercial (non-consumer) cash products will align with the spread adjustment values that the International Swaps and Derivatives Association (ISDA) plans to implement in its standard definitions for derivatives.³ For all cash products these spread adjustments will be determined at the same time as ISDA's spread adjustments, that is, at the time of a public announcement by the LIBOR regulator or administrator that LIBOR has or will cease to be published or at the time of any public announcement that LIBOR will or has become no longer representative of underlying markets.

For consumer products, the ARRC's spread adjustment values will also incorporate a one-year transition period. As such, the ARRC recommendations require two sets of spread calculations for cash products. One set will be for commercial products, and the other set will be for consumer products that includes the one-year transition period. The selected provider must publish spreads and rates for both consumer and commercial products approved by the ARRC and satisfy regulatory needs. The published spreads and resulting rates will provide market participants with an authoritative source for the ARRC's recommended spread-adjusted fallback rates for circumstances in which such fallback rates may be used.

¹ Establishing a process for the selection of an administrator to publish fallback rates is one of the ARRC's 2020 objectives. More information on the ARRC's 2020 goals is available at:

https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_2020_Objectives.pdf

The ARRC's Supplemental Consultation on Spread Adjustment Methodology dated May 6, 2020 is available at:

https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_Press_Release_Supplemental_Consultation_Spread_Adjustment_Methodology.pdf

² See the ARRC's announcement on results of supplemental spread adjustment consultation at:

https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_Recommendation_Spread_Adjustments_Cash_Products_Press_Release.pdf

³ For more information about the relevant ISDA consultations, protocol and updated definitions, see:

<https://www.isda.org/category/legal/benchmarks/>

The ARRC is a group of private-market participants that was convened by the Federal Reserve Board and Federal Reserve Bank of New York in cooperation with other U.S. agencies to promote successful transition from USD LIBOR. Statements made by regulators have clearly expressed that (i) the discontinuation of LIBOR is a certainty⁴ and (ii) market participants should take appropriate action to transition from LIBOR to an alternative risk free rate.⁵ The ARRC recognizes the importance of providing market participants further clarity on the practical considerations for the transition from LIBOR, in particular, the need for reliable, readily available publication of SOFR, the ARRC's recommended alternative to USD LIBOR, and the spreads needed to calculate interest rates for legacy contracts that have fallback language with non-LIBOR references.

II. RFP Structure

Responses to the RFP will be used by the ARRC to identify an administrator or administrators who will be responsible for the calculation and publication of the spreads and resulting interest rates based on the ARRC's recommended fallback adjustment methodology. The administrator(s) will make the spreads and rates readily accessible on a daily basis to the general public without cost and may make data available on a more frequent basis for commercial uses. Specifically, the administrator(s) will:

- Use the ARRC's recommended methodology to calculate daily spreads for each corresponding LIBOR tenor currently published (o/n, 1W, 1M, 2M, 3M, 6M, 12M).
- Apply the calculated spreads to the corresponding rates (e.g. compounded in arrears and in advance SOFRs, term SOFR if available, and simple SOFR).
- Publish the calculated spreads, and the resulting spread-adjusted rates on a readily accessible website without cost to the general public and in a format that meets the needs of U.S. regulatory agencies.
- Make the published data available to other vendors and publishers at reasonable cost.

The ARRC's selection of an administrator or administrators will be based on criteria described in the next four sections (*Technical Criteria, Firm Criteria, Public Policy Criteria, Communications Criteria*). Each vendor(s) interested in becoming the administrator(s) should submit responses to this request following the requirements in the *Submissions* section. Responses to each criteria will be rated on a 1-3 scale and each criteria will be given equal weight in the ARRC's assessment. By responding to the RFP, each vendor commits to compliance with all relevant regulations and to working with enforcement authorities as requested.

⁴ Source: [Opening Statement of Chairman J. Christopher Giancarlo before the Market Risk Advisory Committee Meeting](#), July 2018.

⁵ Source: [LIBOR: Preparing for the End](#), July 2019.

III. Technical Criteria

a. Capacity

- i. Provide evidence of your firm's ability to publish publicly available data on a daily basis. If your firm currently publishes data, include information on the process including the publication platform, format and publication history.
- ii. Provide a description of your firm's process from computation to publication of the SOFR fallback spread adjustments and all-in fallbacks.
- iii. Describe the steps that your firm would take to ensure that its publication processes are robust including cybersecurity precautions, steps to handle data revisions and capacity to expand publication to new sites.

b. Operating Model

- i. Describe the software your firm would use to publish the rates, the interfaces involved and the support that would be available.
- ii. Demonstrate that your firm has or can obtain any necessary data and any intellectual property needed for the calculations. Include an explanation of how your firm would ensure consistency with the ISDA fallback spreads published by [Bloomberg Index Services Limited](#) (for non-consumer products).
- iii. List any technical limitations on the number of system users and user software requirements.
- iv. Describe your firm's willingness and ability to comply with IOSCO principles and compliance with EU and UK Benchmark Regulations.
- v. Describe your firm's monitoring infrastructure to detect and recover from component failures, proposed backup arrangements in the event that your primary site is down and assurances of timely distribution of data following a disruption.
- vi. Detail how the rates would be accessed by third parties directly, how the data would be formatted and the ability for the data to be accessed by and used in third party systems. Please list any systems that your firm specifically expects could readily integrated directly into your firm's published rates.

c. Approach, process, governance and oversight of conduct and operations

- i. Describe your firm's software development and testing processes.
- ii. List any reliance on any external systems or providers.
- iii. Describe the controls that would ensure the security of data and processes. If your firm has had significant prior security breaches, include remediation steps.

IV. Firm Criteria

a. Suitability

- i. Describe the services your firm currently provides to the commercial and consumer financial markets that suggest a good understanding of the interest rate computations and uses. Highlight any experience your firm has providing services to retail markets.
- ii. Describe any business interest your firm would have in the outcome associated with any published spread or rate.
- iii. List any attributes that demonstrate that your firm has capabilities that would make it particularly well suited for this work.

- iv. List any potential conflicts of interest, constraining legal relationships, or regulatory restrictions that could influence your firm's ability to consistently provide the spreads and rates. Include knowledge of any claims, lawsuits or settlements against your company, particularly related to the assurance of trust and transparency around the rate development process.
- b. Financial perspective
 - i. Describe your firm's interest in producing these spreads and rates, specifying whether production would be a public service, a loss leader, or a profit opportunity based on market participants' willingness to pay for real-time data.
 - ii. Explain how the costless provision of the spreads and rates to the general public fits into your business plans.
 - iii. Provide an assessment of your firm's financial condition.
- c. Institutional and managerial capacity
 - i. Identify key staff and describe their technical skills, anticipated roles and relevant experience including cybersecurity support.
 - ii. Describe your firm's internal and external, onsite audit processes.
 - iii. List the resources (hours, computing resources) that your firm anticipates devoting to fulfilling initial and on-going production.
 - iv. Describe your firm's process for screening personnel and, in the current environment, where critical resources are working and if not in the office, the security and reliability of their remote workplaces.
 - v. Identify a succession plan should your firm cease to engage in publication of the rate.

V. Public Policy Criteria

- a. Data accessibility
 - i. Explain how your firm would ensure that the data is readily and costlessly accessible to retail users. Specifically identify any delays or lags that would affect retail users. Include in your explanation your proposed use of data extraction tools and user interface requirements.
 - ii. Describe your firm's proposed connectivity to, and limitations on, accessibility for commercial users, other publication sites and data aggregators.
 - iii. Describe any costs or limitations your firm would impose on the accessibility of historical data and your firm's customer service plans.
 - iv. Include a statement of the level of transparency that your firm would provide about the data, computations and processes.
- b. Likely robustness of publication
 - i. Describe any anticipated organizational changes that would invalidate or otherwise alter a commitment to publish the spreads and rates.
 - ii. Describe the steps that your firm would take to ensure the continued integrity of the data, data accessibility, and a robust and regularly updated recovery plan
- c. Provide examples of timely delivery of previous projects.

VI. Communications Criteria

Describe the steps that your firm would take to support adoption of these rates. The ARRC recognizes the benefit of launching a website, providing white papers about methodology and applications, webinars and FAQs. Your firm may also engage with the ARRC, software vendors and other industry groups recommending use of such rates. Your firm should consider illustrating how cash product applications could apply fallback rates that are “in arrears” to report daily accrued interest. The ARRC also recommends your firm give special consideration to communications around fallback rates designed for and applied to consumer products. For example, consumers may benefit from multiple illustrations of the spread adjusted fallback rates during the transition period.

VII. Eligibility

No member of the ARRC or any affiliate of a member of the ARRC is eligible to submit a response to this RFP unless any such member recused itself from the ARRC meetings and discussions through which this RFP was developed.

Any ARRC member that sits on an oversight committee for an interest rate benchmark administrator that intends to submit a response to this RFP must abide by the ARRC’s recusal requirements.

VIII. Submissions

Interested firms should submit their responses to the ARRC Secretariat at arrc@ny.frb.org by October 16, 2020. Please provide only one response per institution, and please attach your responses in a PDF document with “Spread Adjustment RFP Response” clearly indicated in the subject line of your email.

The ARRC’s RFP Steering Committee will evaluate responses and will require selected firms to present their proposals. The ARRC RFP Steering Committee will then make a recommendation to the ARRC. Following an ARRC selection, the ARRC will publish the name(s) of the chosen administrator(s). The administrator(s) must be prepared to begin publication of the spreads and rates by March 31, 2021.

Questions about the RFP process should be sent to arrc@ny.frb.org. Any modifications to the RFP will be published on the ARRC’s website and emailed to all ARRC email recipients. Firms may modify their responses until the closing date above.

The ARRC will not reimburse or otherwise cover costs associated with response submissions or administration of the spreads and rates. All submission materials will be provided to ARRC members and participants in the relevant ARRC working groups that are not recused from the RFP-related ARRC discussions and decisions. The materials will be retained by the ARRC Secretariat, and the confidentiality of any submitted materials cannot be guaranteed.

Appendix

1. The ARRC seeks an administrator or administrators to publish a “set” of related data for fallback rates for each USD LIBOR tenor (o/n, 1W, 2,3,6,12 M), consistent with its expected recommended fallback rates for applicable products (e.g. Adjusted Simple SOFR for Loans, or Adjusted Compound SOFR in Advance for Consumer Products, including ARMs).
2. Publication for each tenor would include the relevant data for (i) the reference rates, (ii) the “all-in” adjusted reference rates and (iii) the spread adjustments alone.
3. The ARRC’s selected administrator(s) will publish the indicative spread adjustments and the indicative forward spread adjustments until the “trigger” date. Then, once a trigger event has occurred, the administrator(s) will publish final spread adjustments for Commercial Cash Products and the final forward spread adjustments for Consumer Cash Products over a transition period of one year. Following the transition period, Commercial and Consumer rates and spreads will converge, reducing publication to a single set of numbers.
4. Specific publications on, at least, a daily basis will be:

For Commercial Cash Products

- For each of o/n, 1W, 1M, 2M, 3M, 6M, 12M USD LIBOR:
 - The corresponding SOFR where appropriate
 - The adjusted fallback rates
 - The spread adjustments
- The recommended adjusted fallback rates for commercial products:
 - Adjusted Daily Simple SOFR
 - Adjusted Compound SOFR (both “in advance” and “in arrears”), including adjusted 30-, 90- and 180-day FRBNY averages SOFR in advance
 - Adjusted Term SOFR for each published tenor (only if and after the ARRC has recommended one or more forward-looking term SOFR rates)

For Consumer Cash Products

- For each of o/n, 1W, 1M, 2M, 3M, 6M, 12M USD LIBOR:
 - The corresponding SOFR where appropriate
 - The adjusted fallback rates
 - The spread adjustments
- The recommended adjusted fallback rates for consumer products:
 - Adjusted Compound SOFR (used “in advance”)
 - Adjusted Term SOFR for each published tenor (only after the ARRC has recommended one or more forward-looking term SOFR)