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ARRC Publishes Progress Report on Transition from USD LIBOR

Underscores Significant Headway to Date and Areas Where Transition Efforts Need to Accelerate

****This release was initially issued on March 22, 2021 and has been updated since to reflect revisions made to the LIBOR exposures data in the associated Progress Report***

The Alternative Reference Rates Committee (ARRC) today released the "Progress Report: The Transition from U.S. Dollar (USD) LIBOR," outlining key reference rate reform efforts, progress to date, and areas requiring further work. The report is motivated by the number and range of steps taken in the move away from LIBOR. It provides a comprehensive overview of the LIBOR transition, including a timeline of concrete steps taken in the transition, a table of remaining LIBOR exposures and data on the development of alternative markets. It also provides critical insight into where progress away from USD LIBOR will need to materially accelerate for the market to be adequately prepared.

"Today's Progress Report underscores the tremendous progress made in transitioning away from U.S. dollar LIBOR over the past year. However, it also identifies products, such as business loans, where the use of LIBOR has not diminished," said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley. "The ARRC commends all efforts that contributed to progress to date, but time is short. With essentially nine months left to end-2021, it is critical that market participants are actively taking steps to support the transition using the tools available now."

In particular, the report covers progress since 2017, when the ARRC selected the Secured Overnight Financing Rate (SOFR) as its preferred alternative reference rate, in SOFR derivatives and cash markets. The report highlights the considerable uptick in SOFR trading activity over the course of 2020 in floating rate notes and consumer mortgage markets in particular. However, it also spotlights areas where progress has been slow. It includes updated data on outstanding exposures to USD LIBOR and shows that use of LIBOR has continued in some markets. Although an estimated 67% of current LIBOR exposures will mature before June 2023, an estimated $74 trillion will remain outstanding – a fact that underscores the importance of finding solutions for legacy contracts.

The report concludes by highlighting the ARRC's 2021 Objectives and Priorities to support a smooth and efficient transition from LIBOR.

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 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.

Sign up here to receive email updates about the ARRC.

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