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ARRC Releases Guide to Published SOFR Averages

The Alternative Reference Rates Committee (ARRC) today released the Guide to Published SOFR Averages in order to provide market participants – and nonfinancial corporates in particular – with key information on the LIBOR transition, including how the published Secured Overnight Finance Rate (SOFR) Averages can be used today and what factors market participants should consider before selecting the alternative rate they use. The Guide will complement discussions held during the second in the ARRC's series of webinars *The SOFR Symposium: The Final Year* taking place this morning, during which market participants will discuss SOFR, term rates, and loan market developments.

"This user-friendly guide provides important clarity on what the readily-available published SOFR Averages are, and how to use them, which is essential for borrowers at this stage of the LIBOR transition," said Tom Wipf, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley. "With less than a year left until no new LIBOR issuances, the ARRC aims to equip borrowers with the context they need to understand all the different types of SOFR-based loans they can potentially get from their lenders."

The development of the *Guide to Published SOFR Averages* was informed by a March 2021 survey of members of the ARRC's Nonfinancial Corporates Working Group, which found that 90% of respondents wanted to be offered SOFR-based rate choices, including SOFR averages that can be applied in advance and in arrears. To meet nonfinancial corporates' needs and help inform their LIBOR transition plans, the Guide outlines the various ways that market participants can use averages of overnight SOFR in financial products right now. It also covers the conventions the ARRC has previously provided for using SOFR Averages now, including for student loans, intercompany loans, and securitizations.

The Guide specifically focuses on the New York Fed-published SOFR Averages, and market participants are encouraged to reference the User's Guide to SOFR for a more exhaustive overview of options for using averages of SOFR.

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.

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Contact for ARRC Chair Tom Wipf
Paige Mandy
Morgan Stanley

Contact for the ARRC's Outreach/Communications Working Group
Andrew S. Gray
JPMorgan Chase

Contact for the Federal Reserve Board
Darren Gersh

Contacts for the Federal Reserve Bank of New York
Betsy Bourassa