

MEMO# 32166

January 22, 2020

ICI Establishes LIBOR Transition Working Group; ARRC Releases SOFR Spread Adjustment Consultation

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TO: Chief Compliance Officer Committee
Chief Risk Officer Committee
Derivatives Markets Advisory Committee
Equity Markets Advisory Committee
Fixed-Income Advisory Committee
Money Market Funds Advisory Committee
Operations Committee
Risk Advisory Committee
SEC Rules Committee
Securities Operations Advisory Committee RE: ICI Establishes LIBOR Transition Working Group; ARRC Releases SOFR Spread Adjustment Consultation

I. New LIBOR Transition Working Group - Please Nominate Members

ICI will be constituting a LIBOR Transition Working Group for members to discuss the challenges, concerns, and issues related to LIBOR discontinuation.

We request that firms interested in participating in the working group nominate one individual from their firm, likely the individual who is leading their firm's overall LIBOR transition effort, to serve as their firm's representative to the working group. We expect this group will address, on an ongoing basis issues including, but not limited to, the effects of the transition on compliance, operations, communications, and fund holdings. Depending on the subject of particular calls, working group representatives should include other relevant firm staff to participate in the discussion.

Working group calls will initially be on monthly basis, with additional ad hoc calls as needed. We will be looking to working group members to suggest topics and agenda items for working group calls. We look forward to working with members on the working group and hearing your feedback. Please contact Bridget Farrell at bridget.farrell@ici.org or 202-218-3573 with the name of the nominated working group representative for your firm or any questions about the LIBOR Working Group.

II. ARRC Proposes Spread Adjustment Methodology

The Alternative Reference Rate Committee recently released a consultation on its proposed spread adjustment for cash products that currently reference USD LIBOR. The spread adjustment would be used for those products that have incorporated fallback language allowing spread-adjusted SOFR to be used as a fallback rate on or before LIBOR cessation (a “trigger event”).^[1]

ARRC states that its proposed spread adjustment methodology is intended to minimize the expected change in the value of contracts as a result of the change from USD LIBOR to SOFR. ARRC also states that it will make the spread adjustments publicly available.

ICI is not planning to comment on this consultation but encourages member firms to comment directly if you have feedback to provide. ARRC has requested feedback by March 6, 2020.

Bridget Farrell
Assistant General Counsel

Sarah A. Bessin
Associate General Counsel

endnotes

^[1] ARRC Consultation on Spread Adjustment Methodologies for Fallbacks in Cash Products Referencing USD LIBOR (Jan. 21, 2020), *available at* https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_Spread_Adjustment_Consultation.pdf.