

**ARRC Recommended Fallbacks for Implementation of its Hardwired Fallback Language
*Selections and Recommendations of the Alternative Reference Rates Committee (ARRC)
as the “Relevant Governmental Body” under its recommended fallback language
with respect to overnight, 1-month, 3-month, 6-month, and 12-month USD LIBOR tenors***

Published March 15, 2023

Background

Implementing the ARRC’s recommended hardwired fallback language requires verification of certain recommendations made by the ARRC, including whether the ARRC has selected or recommended a forward-looking term rate based on SOFR as a replacement for LIBOR for a given cash product, the ARRC’s recommendations of spread adjustments to that would be applied for non-consumer cash products in replacing LIBOR with SOFR under the terms of the contractual fallbacks, and the ARRC’s recommendations of replacement indexes for use in consumer products that reference LIBOR. This Statement sets out the ARRC’s selections and recommendations as they apply to these specific contractual fallback provisions.

The ARRC has noted that its recommendations may also be adopted by parties that are able and choose to use its recommended fallbacks in legacy LIBOR contracts in which the replacement rate is determined by one or more parties to the contract rather than directly set by the terms of the contract. This may include counterparties that have adopted “amendment approach” fallback language for syndicated and bilateral business loans that the ARRC has previously issued. The amendment approach does not prescribe a successor rate or spread adjustment and instead provides for a streamlined amendment process for determining a successor rate and any spread adjustment.¹ Any use of the ARRC recommended fallbacks in these circumstances would be at the discretion of the parties involved in the selection of a replacement rate, subject to the terms of the contract. In instances of contract remediation (rather than reliance on hardwired contractual fallbacks), the ARRC encourages counterparties to settle on the terms that are appropriate to them pursuant to the terms of their contract. With respect to the efforts of counterparties to determine any margin or spread adjustments in new SOFR contracts,, the ARRC has emphasized that its recommended spread adjustments set out in this Statement were intended only for use in LIBOR contracts that fall back to SOFR and that they would not and are not intended to apply to new contracts; the ARRC encourages to counterparties to new contracts to determine any margin or spread adjustments based on competitive market forces and their own circumstances.

The remainder of this Statement sets forth the specific recommendations and selections of the ARRC. The ARRC notes that its recommendations match the Board-selected benchmark replacements specified in the Federal Reserve Board’s rule implementing the Adjustable Interest Rate (LIBOR) Act.² The ARRC [selected](#) Refinitiv to publish its recommended spread adjustments and spread-adjusted rates and notes that all of the spread-adjusted-rate recommendations and selections set out in this document are available through [Refinitiv’s USD IBOR Cash Fallbacks](#).

¹ While the ARRC’s amendment approach does not prescribe a successor rate or spread adjustment, it does provide that due consideration be given to “any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body”; this language also includes due consideration to “any evolving or then-prevailing market convention for determining a successor rate for LIBOR for U.S. dollar syndicated loan facilities.”

² [Federal Register: Regulations Implementing the Adjustable Interest Rate \(LIBOR\) Act](#)

- I. Purpose. The Alternative Reference Rates Committee’s (ARRC) recommendations regarding more robust fallback language (“ARRC-recommended fallback language”) for new issuances of LIBOR contracts have been widely adopted. Implementation of the contractual provisions in the ARRC-recommended fallback language requires the determination of certain selections or recommendations made by a “Relevant Governmental Body,” defined as the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, or a committee endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York. The ARRC, which has been convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York, is therefore publishing this Statement of selections and recommendations as the Relevant Governmental Body with respect to the ARRC-recommended fallback language.
- II. Scope. This Statement constitutes the selections and recommendations by the ARRC to be applied in the determination of the Benchmark Replacement, the Benchmark Replacement Adjustment, and the Recommended Replacement Index as these terms are used in the ARRC’s recommended fallback language in any contract that (1) references the overnight, 1-month, 3-month, 6-month, and/or 12-month tenors of USD LIBOR and (2) which has incorporated one of the following versions of the ARRC’s recommended fallback language (each a “Covered Contract”):
- [Closed-end residential adjustable-rate mortgages](#)
 - Bilateral business loans (either hardwired version of the [2019 recommendations](#), the [2020 recommendations](#), or the [2021 supplemental recommendations](#))
 - [Floating rate notes](#)
 - Securitizations (either the [2019 recommendations](#) or a contract using these recommendations but including the [2021 supplemental update](#) of the definition of a Benchmark Transition Event)
 - Syndicated business loans (either the hardwired version of the [2019 recommendations](#), the [2020 recommendations](#), or the [2021 supplemental recommendations](#))
 - [Variable-rate private student loans](#)
- III. Defined Terms. All capitalized terms used herein have the meaning set forth in this Statement, including [Appendix A](#) hereto.
- IV. Appendices. The following Appendices are an integral part of this Statement and all references to “this Statement” shall include each Appendix, as applicable.

Appendix A - Definitions for Purposes of this Statement

Appendix B - ARRC Selections and Recommendations

Appendix A- Definitions for Purposes of this Statement

When used in this Statement, the following capitalized terms shall have the respective meanings set forth below:

“Consumer Loan” means a consumer credit transaction. For purposes of this definition, the terms “consumer” and “credit” have the meaning given those terms, respectively, under Section 103 of the Truth in Lending Act, as amended.

“Federal Family Education Loan Program (FFELP) asset-backed securitization (ABS)” means an asset-backed security for which more than 50 percent of the collateral pool consists of FFELP loans, as reported in the most recent servicer report available on the first London banking day after June 30, 2023, or the date the Board determines that any LIBOR tenor will cease to be published or cease to be representative if it determines that a LIBOR tenor will cease to be published or cease to be representative as of another date..

“Federal Housing Finance Agency (FHFA)-regulated entity” has the same meaning as “regulated entity” in 12 U.S.C. 4502(20).

“FHFA-regulated-entity contract” means a Covered Contract that is a commercial or multifamily mortgage loan that has been purchased or guaranteed, in whole or in part, by a FHFA-regulated entity, or for which a FHFA-regulated entity is identified as a party in the transaction documents and that is (i) a commercial or multifamily mortgage-backed security (other than a security backed by consumer loans), (ii) a collateralized mortgage obligation, (iii) a credit risk transfer transaction, or (iv) a Federal Home Loan Bank advance.

“30-day Average SOFR” means the 30-calendar-day compounded average of SOFR, as published by the Federal Reserve Bank of New York or any successor administrator.

“90-day Average SOFR” means the 90-calendar-day compounded average of SOFR, as published by the Federal Reserve Bank of New York or any successor administrator.

“Federal Housing Finance Agency (FHFA)-regulated entity” means the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and any Federal Home Loan Bank.

“Refinitiv Consumer Cash Fallback” means the spread-adjusted USD IBOR Refinitiv Consumer Cash Fallback published as part of the Refinitiv “USD IBOR Cash Fallbacks” for “Consumer” products, with the “Rate” of “All-in” and the “Tenor” of a period equal to the relevant period. The spread adjustment included in this index has a transitional period for the initial year.

“SOFR” means the Secured Overnight Financing Rate published by the Federal Reserve Bank of New York or any successor administrator.

“CME Term SOFR” means the Term SOFR Reference Rate published by the CME Group Inc. for a specified tenor.

Appendix B - ARRC Selections and Recommendations

LIBOR Tenor	Recommended Replacement Rate/Index	Recommended Spread Adjustment
For any Covered Contract that is not a Consumer Loan, a FHFA-regulated-entity contract, or a FFELP ABS ^a		
Overnight LIBOR	SOFR	0.00644 percent
One-month LIBOR	One-month CME Term SOFR	0.11448 percent
Three-month LIBOR	Three-month CME Term SOFR	0.26161percent
Six-month LIBOR	Six-month CME Term SOFR	0.42826 percent
Twelve-month LIBOR	Twelve-month CME Term SOFR	0.71513 percent

For a Covered Contract that is a Consumer Loan ^b		
One-month LIBOR	One-month Refinitiv Consumer Cash Fallback	Not Applicable
Three-month LIBOR	Three-month Refinitiv Consumer Cash Fallback	Not Applicable
Six-month LIBOR	Six-month Refinitiv Consumer Cash Fallback	Not Applicable
Twelve-month LIBOR	Twelve-month Refinitiv Consumer Cash Fallback	Not Applicable

For A Covered Contract that is a FHFA-regulated-entity contract and that is not a Federal Home Loan Advance ^{a c}		
Overnight LIBOR	SOFR	0.00644 percent
One-month LIBOR	30-Day Average SOFR	0.11448 percent
Three-month LIBOR	30-Day Average SOFR	0.26161percent
Six-month LIBOR	30-Day Average SOFR	0.42826 percent
Twelve-month LIBOR	30-Day Average SOFR	0.71513 percent

For a Covered Contract that is a FFELP ABS ^a		
One-month LIBOR	30-Day Average SOFR	0.11448 percent
Three-month LIBOR	90-Day Average SOFR	0.26161percent
Six-month LIBOR	30-Day Average SOFR	0.42826 percent
Twelve-month LIBOR	30-Day Average SOFR	0.71513 percent

^a Spread-adjusted rates incorporating the ARRC's recommendations and selections are available through Refinitiv's USD IBOR Cash Fallbacks.

^b The ARRC is unaware of any outstanding consumer loans referencing overnight SOFR. For the avoidance of doubt, a benchmark replacement adjustment should not be added separately to the Refinitiv Consumer Cash Fallbacks because these replacement rates already include the ARRC's recommended spread adjustments.

^c The ARRC is unaware of any Federal Home Loan Bank Advance using ARRC-recommended fallback language.