

Don't Wait for a Forward-Looking Term SOFR

On Monday March 22nd, the Alternative Reference Rate Committee (ARRC) completed the first of a series of webinars it will host in 2021. This first session, dubbed **The SOFR Symposium: The Final Year**, focused on progress in transitioning away from LIBOR, and on areas such as the loan market where progress has been slower. Along with the webinar, the ARRC published an industry-wide [progress report](#) on transitioning from USD LIBOR. In addition, a few important pieces of related documentation have been made available:

1. The ARRC has [stated](#) that it is not in a position to recommend a forward-looking SOFR term rate by the original mid-2021 goal and cannot commit to one being recommended by year-end. The ARRC is encouraging market participants to not wait for a forward-looking term rate for new contracts, but to instead prepare to transition from LIBOR using the tools available now.
2. On Wednesday March 24th, New York State Legislature passed [this bill](#) related to tough-to-remediate LIBOR contracts.
3. Listed below are some important points made by Fed Vice Chair for Supervision Randal K. Quarles during the ARRC Symposium. The full transcript of his presentation can be accessed [here](#).
 - *There is no scenario in which a panel-based USD LIBOR will continue past June 2023, and nobody should expect it to.*
 - *As with the statements about LIBOR's end, there should be complete certainty about this guidance from U.S. regulators: after 2021, we believe that continued use of LIBOR in new contracts would create safety and soundness risks, and we will examine bank practices accordingly.*
 - *These announcements are absolutely not meant to support new LIBOR activity or continued business as usual. Instead, they are meant to completely end the new use of LIBOR while allowing a significant portion of legacy contracts to roll off before the key dollar LIBOR tenors stop publication.*
 - *...despite the warnings of the official sector concerning LIBOR, use of USD LIBOR has actually increased in the intervening years. As a result, the ARRC now estimates that there are currently almost \$223 trillion in financial contracts based on USD LIBOR.*
 - *For legacy LIBOR contracts governed by U.S. law, we believe that a U.S. legislative solution, be it in New York or at the federal level, represents the best solution. I should stress that no one should assume that there will be a synthetic USD LIBOR.*
 - *Examiners are looking closely to see whether firms have comprehensively assessed their exposure to LIBOR and, if exposures are sizable and complex, have strong plans in place.*
 - *...what is most important this year is that firms should end new use of LIBOR.*
 - *...firms we supervise should be aware of the intense supervisory focus we are placing on their transition, and especially on their plans to end issuance of new contracts by year-end.*

If you would like additional information on the above or have any questions on the IBOR transition, please contact IBOR.TransitionOffice@bmo.com.



BMO has established an IBOR Transition website ([IBOR Transition Resources](#)) with educational and informational resources available, including:

- IBOR Transition Overview
- SOFR 101
- IBOR Fallbacks
- Introduction to SONIA and €STR
- The LIBORious Transition to SOFR
- Industry News
- Key Transition Dates
- Frequently Asked Questions (FAQs)
- Key Industry Links
- General Transition Overview Information

* Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

View Important Disclosure Statements here: https://capitalmarkets.bmo.com/media/filer_public/29/77/29775931-2340-46ad-81ab-07962b164641/bmocmcfccstrategydisclaimer.pdf