

## Ten Steps for LIBOR Transition – A Guide for Financial Institutions

The London Interbank Offered Rate (LIBOR) is scheduled become unusable after 2021 and all financial institutions should prepare for this event. The following ten steps may assist in managing the impact the transition from LIBOR will have on the institution. The steps should be tailored to the size and complexity of each financial institution.

1. Set up a process for managing the risk of this transition
  - a. Identify senior executive oversight, provide for coordination of activities, and establish regular reporting to the Board
2. Establish a transition management program
  - a. Cover the entire financial institution
  - b. Highlight any unique products and client exposures
  - c. Establish and enforce when the institution will stop accepting new LIBOR exposures
3. Develop a strategy for communicating with your customers and counterparties
  - a. Set out the communications plan and timeline
  - b. Describe communication goals and objectives for engagement with internal and external stakeholders as well as customers
4. Survey on- and off-balance sheet exposures to identify and quantify LIBOR references
  - a. Ensure the process is not just a snapshot, but a continuous evaluation of existing and new products through 2021
5. Develop a strategy for managing each identified exposure
  - a. Implement fallback language if necessary
  - b. Consider replacement products
6. Identify, measure, monitor, and control all financial and non-financial risks of the transition
  - a. Develop a process to select and implement fallback rates for all LIBOR references
  - b. Determine when the institution will stop using LIBOR
  - c. Establish the institution's replacement reference rate for each product
7. Remediate contracts that reference LIBOR
  - a. Consider the customer, financial, and legal implications of each existing LIBOR product with a maturity beyond 2021
8. Develop operational readiness plans
  - a. Consider changes that may be needed in data, models, technology, and training
9. Determine accounting and reporting considerations
  - a. Discuss with legal and accounting firm as appropriate
  - b. Update financial disclosures as needed
10. Determine tax and regulatory requirements
  - a. Consult with external accounting firms as appropriate

These steps may be enough for an institution with limited LIBOR exposure to prepare for the transition. The Alternate Reference Rates Committee (ARRC) maintains a [web site](#) with information about the transition from LIBOR (including [frequently asked questions](#)) that can be a valuable reference point for all financial institutions. Institutions can refer to the ARRC's [Practical Implementation Checklist for SOFR Adoption](#) released on September 19, 2019 for more detailed guidance. No regulator mandates the use of any specific alternate reference rate.

