
ARRC Updates Recommended Best Practices in Anticipation of ISDA's IBOR Fallback Protocol: McGuireWoods

On August 19, 2020, the ARRC updated its recommended Best Practices for the LIBOR transition in anticipation of the imminent publication of ISDA's IBOR Fallback Protocol (the "Protocol") (which we discussed in our earlier blog post, available here).

These updates follow the July 22, 2020 letter from ISDA (the "Letter") (available here), in which ISDA confirmed that market participants will be able to sign up to the Protocol "in escrow". This will consist of a two-week pre-publication period in which firms can sign up in order to adhere to the Protocol as promptly as possible. It is expected that this escrow period will begin soon, though no hard date has yet been set.

In light of the Letter, the ARRC's Best Practices have been updated to include a specific recommendation to "[d]ealers and other firms with significant derivatives exposures" to sign up to the Protocol during the escrow period to promote adoption as quickly as possible. The Best Practices have also been updated to recommend that other market participants adhere to the Protocol "within the 3 to 4 month period after it is published and before the amendments to embed the fallbacks in legacy transactions take effect."

As such, it is important that market participants, especially those with significant derivatives exposures, consider adhering to the Protocol "in escrow" in order to navigate the transition of their legacy derivatives as smoothly and efficiently as possible. Please contact any of the authors of this article or your regular McGuireWoods contact if you have questions about, or would like assistance with, the LIBOR transition.

By Jennifer J. Kafcas, Donald A. Ensing, Susan Rodriguez, Lauren J. Blaber & Harry Poland on August 24, 2020

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