

**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF BANKS**

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ACTING COMMISSIONER

March 29, 2019

To the Chief Executive Officer:

As you know, the widely used reference rate known as the London Interbank Offered Rate (LIBOR) is scheduled to go out of existence. The banks that serve on the panel providing the inputs to LIBOR have agreed to support the reference rate only until the end of 2021. Financial institutions should be preparing for this event well in advance of that date.

The Alternative Reference Rates Committee (ARRC) has been meeting since November 2014 to identify a set of alternative U.S. dollar reference rates that are based on transactions from a more robust underlying market than LIBOR. In June 2017 the ARRC identified the secured overnight financing rate (SOFR), which the Federal Reserve Bank of New York publishes in cooperation with the U.S. Office of Financial Research, as the reference rate that represents a best practice for use in certain new U.S. dollar derivatives and other financial contracts. However, financial institutions may select any reference rate for use and regulators are not mandating the use of SOFR or any other rate.

Participants in many cash markets using LIBOR as a reference rate are now actively seeking to mitigate their risks both by seeking more robust contract language and considering transitioning away from LIBOR to a new reference rate.

Financial institutions are encouraged to begin taking risk management actions now to manage the transition from LIBOR:

1. Identify all on-balance sheet and off-balance sheet references to LIBOR.
2. Determine which items will continue to exist beyond 2021 and ensure that their documentation includes appropriate fallback language for when LIBOR no longer exists.
3. Work with counterparties to amend the necessary documentation.
4. Develop disclosures for affected customers.

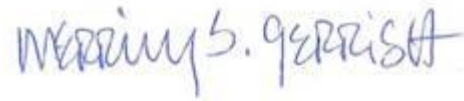
To date the federal regulatory agencies have not issued supervisory guidance on this topic. The web site of the ARRC ([www.newyorkfed.org/arrc](http://www.newyorkfed.org/arrc)) is an excellent source of the latest information on developments. Additionally, the Federal Financial Institutions Examination Council (FFIEC) hosted an industry webinar in December that provides background information. The archived presentation can be viewed by registering at <https://www.webcaster4.com/Webcast/Page/583/28297>.

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If you have any questions please contact Senior Deputy Commissioner Jay Bienvenu at 617-956-1535.

Sincerely,

A handwritten signature in blue ink that reads "Merrily S. Gerrish". The signature is written in a cursive, slightly slanted style.

Merrily S. Gerrish  
Acting Commissioner of Banks