

Alternative Reference Rates Committee

July 13 Meeting Readout



This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on July 13, 2022](#). The complete meeting agenda can be found [here](#). Full minutes for this meeting will be [posted](#) in the coming weeks.

Topics discussed included an update on recent ARRC releases including the [Legacy LIBOR Playbook](#), CME Group's SOFR First for Options initiative, momentum towards the Secured Overnight Financing Rate (SOFR), results from the latest sentiment survey of ARRC members, and ARRC working group updates.

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Meeting Readout: July 13, 2022

The July 11th event [Last Call on LIBOR: Final Steps to Transition](#) co-hosted by the Federal Reserve Bank of New York and Financial Conduct Authority was noted as highlighting 3 key points: 1) the significant progress made in the shift away from LIBOR to SOFR, 2) the need for remediating legacy LIBOR contracts well ahead of U.S. dollar (USD) LIBOR's cessation to help mitigate operational risks, and 3) the criticality of ensuring only robust rates like SOFR are utilized in the future to avoid repeating the decade-long LIBOR transition exercise. Ahead of the event, the ARRC released the [LIBOR Legacy Playbook](#), a guide to support the transition of legacy LIBOR cash products. The ARRC also [welcomed](#) a [statement by Refinitiv](#) that it intends to publish ARRC-recommended fallback rates based on CME Term SOFR in September.

CME Group provided an update on its [SOFR First for Options](#) initiative, which was [announced](#) in May and went into effect in June. It was noted that the initiative, which will continue through July, has already made significant progress in helping propel successful transition of the exchange-traded options market, one of the last key remaining markets that still needs to shift away from USD LIBOR ahead of its cessation in mid-2023. Indeed, SOFR options activity exceeded that of Eurodollar options for the first time in late June.

More broadly, ARRC members noted that the transition away from LIBOR to SOFR continues to progress strongly in 2022. As shown in the charts below, activity data from cash and derivatives markets show that the strong uptick in momentum observed in the first quarter of the year has continued throughout the second quarter. Specifically:

- Figure 2 shows that SOFR swaps have accounted for around 80 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market for the last three months while LIBOR swaps have declined to less than 10 percent.
- Figure 8 shows that average daily SOFR futures volume has surpassed average daily Eurodollar futures volume, accounting for over 40 percent of the STIR futures market in June.

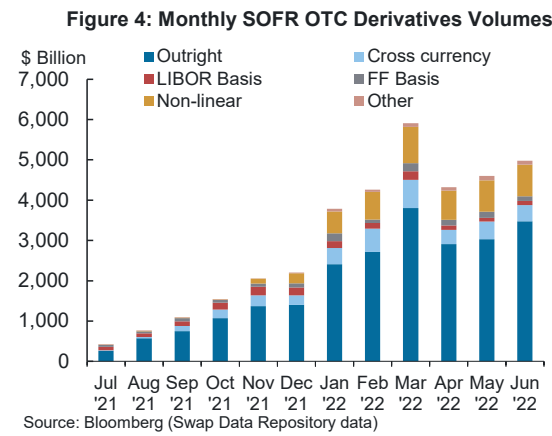
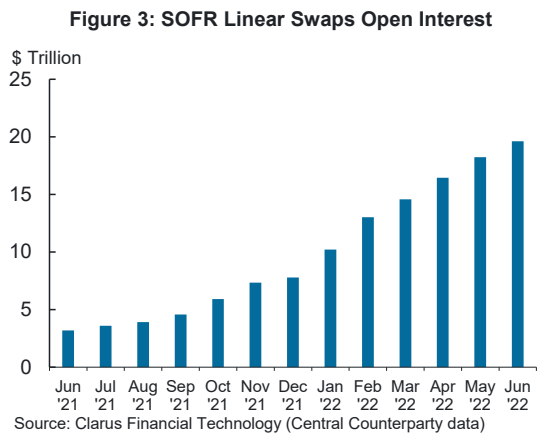
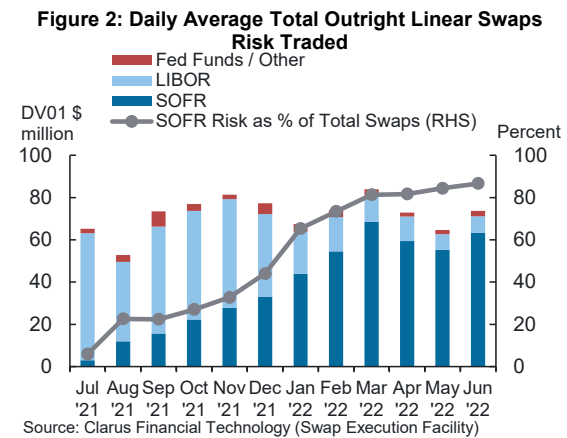
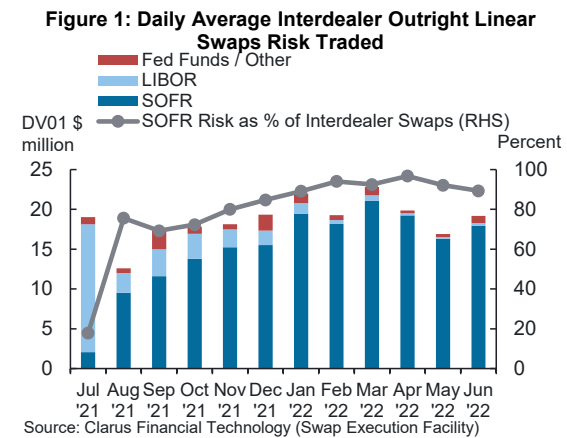
In the most recent sentiment survey of ARRC members, respondents also continued to characterize the LIBOR transition overall as progressing smoothly or generally smoothly into 2022, with no meaningful change in sentiment compared to the prior [survey conducted in May 2022](#).

The ARRC Operations/Infrastructure working group also discussed the operational work needed to facilitate effective and efficient communication of rate changes in LIBOR contracts following the June 30, 2023 end of LIBOR as a panel-based rate. The working group has engaged with stakeholders to gain insights and feedback on its proposed solution, which entails communicating changes via a pre-determined term sheet format that would be disseminated through a new system created by DTCC.

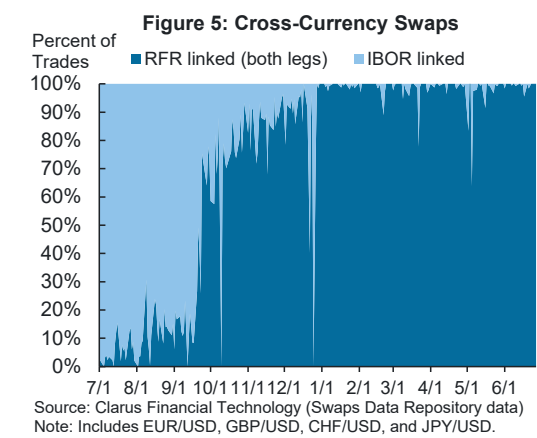
The Term Rate Task Force provided an update on its discussions around term SOFR derivatives. In particular, the Task Force has been discussing participants' views on issues/questions around term SOFR derivatives and the overnight SOFR/term SOFR basis, including clearing, capital, and accounting considerations. It was noted, however, that the Task Force is distinctly not being reconvened to materially relax the substance of the ARRC's best practice recommendations regarding scope of use for the term SOFR rate.

Alternative Reference Rates Committee July 13 Meeting Readout: Figures

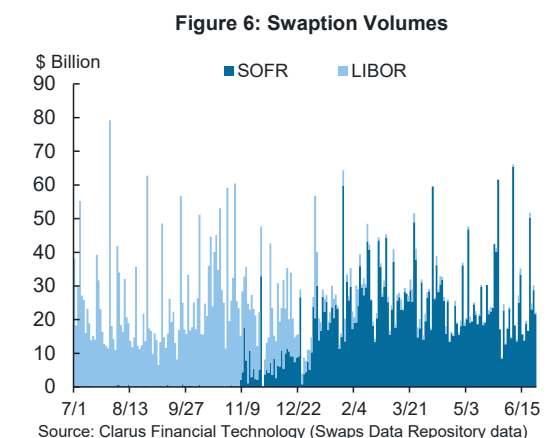
Linear Swaps



Cross-Currency Swaps



Non-Linear Derivatives



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July 13 Meeting Readout: Figures

Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

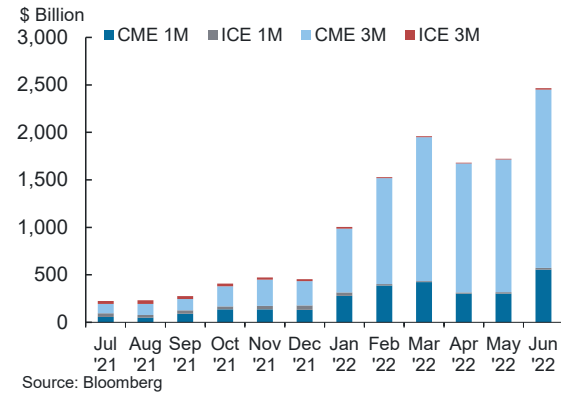
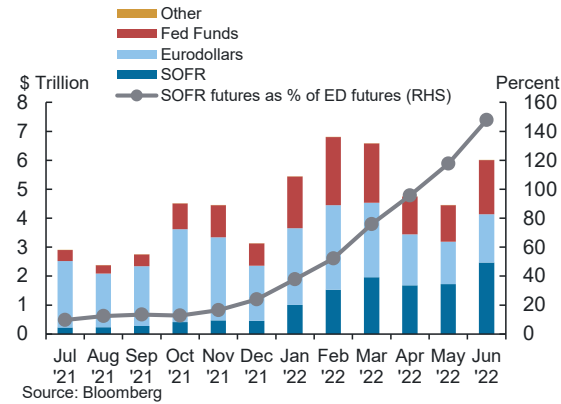


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

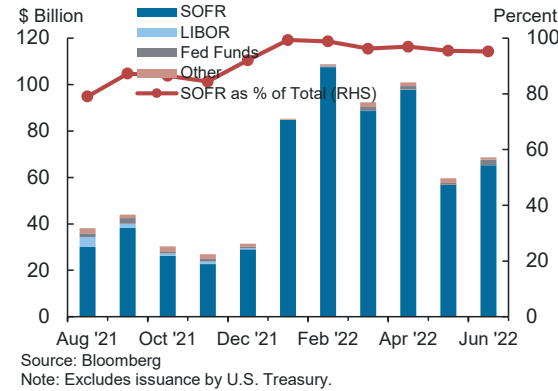


Figure 10: SOFR-indexed ARM Agency MBS

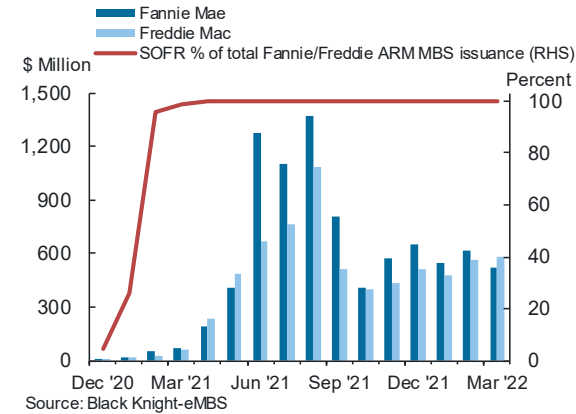


Figure 11: Syndicated Lending

