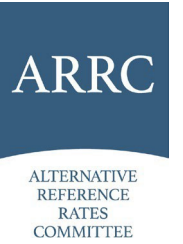


Alternative Reference Rates Committee

February 9 Meeting Readout



This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on February 9, 2023](#). 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 momentum towards the Secured Overnight Financing Rate (SOFR), transition-related progress and issues, and ARRC working group updates.

Sign up [here](#) to receive email updates about the ARRC.

Meeting Readout: February 9, 2023

ARRC members noted continued progress in the transition from LIBOR to SOFR throughout 2022 and the beginning of 2023. As shown in the charts below, data from cash and derivatives markets show continued momentum in the transition. SOFR is predominant across cash and derivatives markets. Specifically:

- Figure 2 shows that SOFR swaps have consistently accounted for more than 85 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market since June 2022 while LIBOR swaps accounted for less than about 10 percent of the overall volume over the same period.
- Figure 8 shows that average daily SOFR futures volumes steadily increased throughout 2022 and the beginning of 2023. Average daily SOFR futures volumes remain well above average daily Eurodollar futures volumes. Conversely, average daily Eurodollar volumes have diminished considerably throughout 2022 and the beginning of 2023.

ARRC members discussed transition-related progress and issues observed in the market. Members noted some improvement had been made in the pace of remediation of leveraged loans, one of the key remaining market segments needing to accelerate the transition away from LIBOR ahead of June 30, 2023, but that further progress was needed.

The Operations/Infrastructure Working Group provided an update on its work on the DTCC's LIBOR Replacement Index Communication Tool aimed at facilitating effective and efficient communication of rate changes in LIBOR contracts following June 30, 2023. For U.S.-issued securities, the ARRC recommends that all determining persons, agents, and other parties responsible for disseminating information use this system for communicating rate/conforming changes:

- Testing on the front-end data screens was completed on February 3rd, with good participation across the submitting community, made of issuers, trustees and agents.
- Meetings have continued with the market data providers about their readiness to accept these messages; these discussions have included how they plan to leverage the messages.
- The tool will move into production on 2/24. During the first day there will be a controlled number of notifications sent through the system. These notifications will demonstrate that the system is fully functioning in an end-to-end fashion.
- The first day of BAU is expected to be on 2/27.
- The group also continues to collaborate with DTCC to create a centralized LIBOR transition site to house documents on how to use the new tool, FAQ's and additional LIBOR transition background information.

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ARRC

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Meeting Readout: February 9, 2023

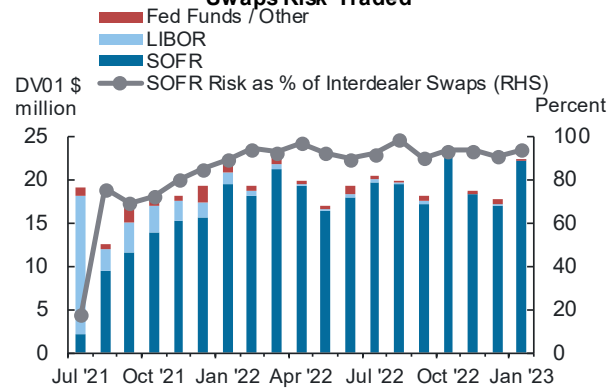
The Term Rate Task Force provided an update on its discussions around its [existing ARRC best practice recommendations on the scope of use of Term SOFR](#), which were guided by the [principles](#) set out by the ARRC and are in line with [guidance](#) issued by the Financial Stability Board. The ARRC discussed the risks associated with widespread use of Term SOFR outside of the limited and targeted recommendations suggested by the ARRC as best practice, which have been carefully calibrated to ensure the robustness and sustainability of the rate itself and avoid risks to financial stability. The ARRC reiterated its existing best practice recommendations and plans to continue to assess the use of Term SOFR as part of its ongoing work related to Term SOFR's recommended scope of use.

Alternative Reference Rates Committee

February 9 Meeting Readout: Figures

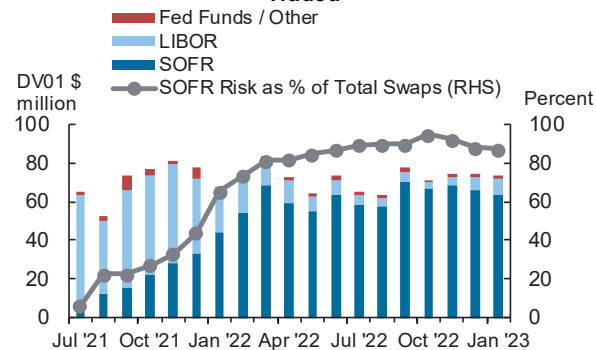
Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded



Source: Clarus Financial Technology (Sw ap Execution Facility)

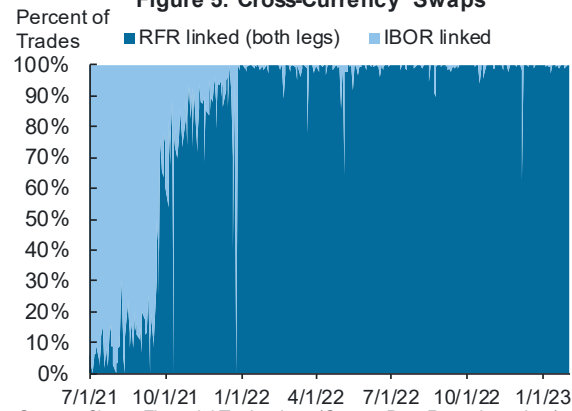
Figure 2: Daily Average Total Outright Swaps Risk Traded



Source: Clarus Financial Technology (Sw ap Execution Facility)
Note: Excludes sw aptions

Cross-Currency Swaps

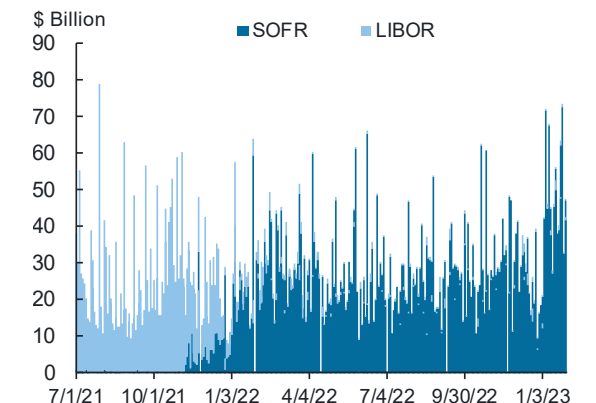
Figure 5: Cross-Currency Swaps



Source: Clarus Financial Technology (Sw aps Data Repository data)
Note: Includes EUR/USD, GBP/USD, CHF/USD, and JPY/USD.

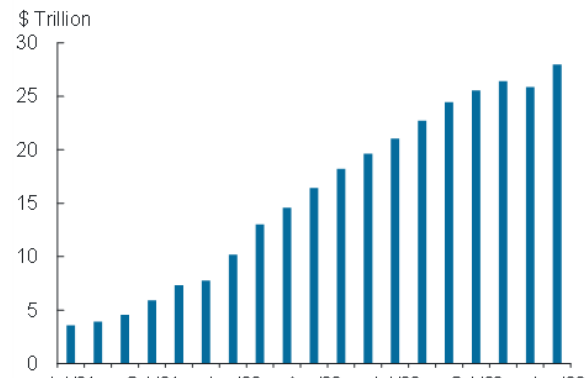
Non-Linear Derivatives

Figure 6: Swaption Volumes



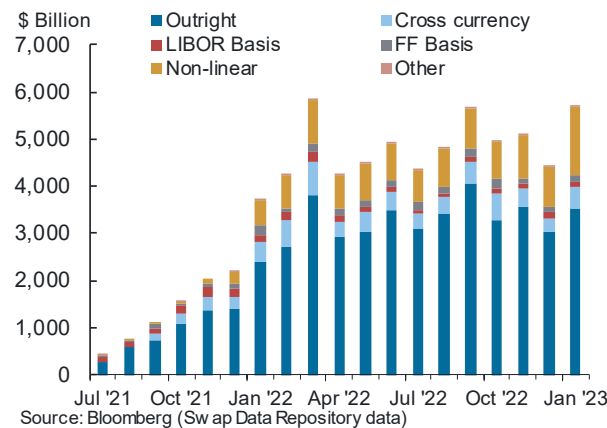
Source: Clarus Financial Technology (Sw aps Data Repository data)

Figure 3: SOFR Linear Swaps Open Interest



Source: Clarus Financial Technology (Central Counterparty data)

Figure 4: Monthly SOFR OTC Derivatives Volumes



Source: Bloomberg (Sw ap Data Repository data)

Alternative Reference Rates Committee

February 9 Meeting Readout: Figures

Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

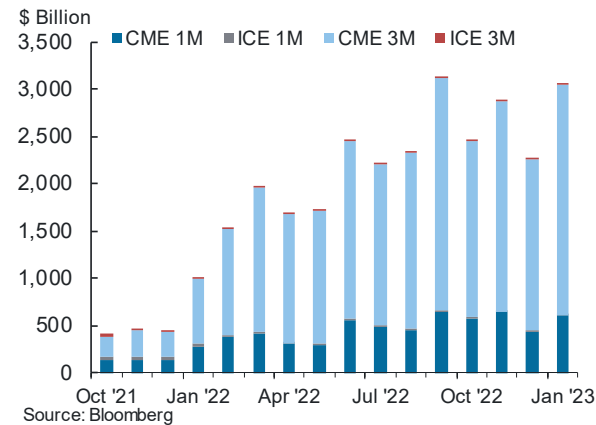
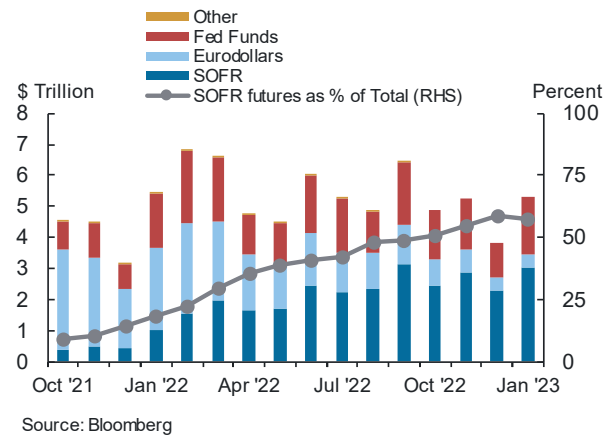


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

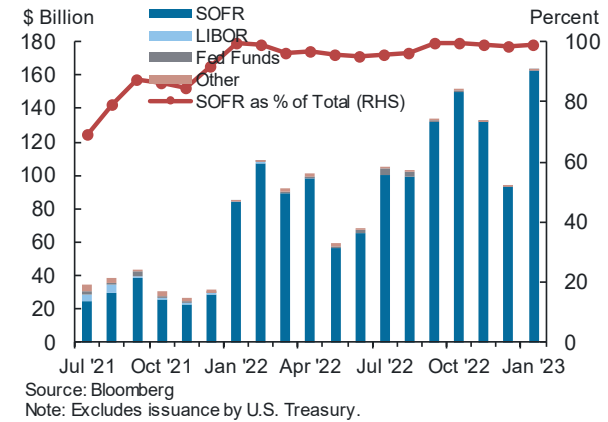


Figure 10: SOFR FRN Issuance by Issuer Type



Figure 11: Syndicated Lending

