October 7, 2020

(updated 10/14/2020)

Frequently Asked Questions Regarding the ARRC's Request for Proposals for the Publication of Forward-Looking Term SOFR Rates

- Is the ARRC open to use of OIS data in the calculation of a term-rate or do they believe that it should be based only on futures data?

  While the ARRC has a preference for rates that are anchored by observable transactions entered in to at arms-length, as reflected in the IOSCO Principles, the ARRC has not specified that any particular source of transactions data for SOFR derivatives is preferred over another source.

- Is the ARRC open to other methodologies besides the methods used in Heitfield-Park in using futures or other data?

  The ARRC is concerned with the accuracy and robustness of the proposed rates that it will review and believes that a wide range of methodologies can potentially produce such rates.

- Does that ARRC have a preference for a narrow or wider window in capturing transactions or quotes for use in the calculations or a term rate?

  The ARRC has a preference for rates that are anchored by observable transactions entered in to at arms-length, as reflected in the IOSCO Principles, and is concerned with their resilience as reflected in the questions in the RFP. The ARRC will evaluate the proposals it receives against these criteria, and the others stated in the RFP, and not specifically the length of window over which transactions or quotes are captured.

- Is there a presumption that the term-rate that the ARRC recommends should be administered in the United States?

  The RFP asks that proposals demonstrate compliance with international best practices for benchmarks, including the governance and oversight of its processes; the RFP does not specify that the proposed rates must be administered in the United States. If a prospective administrator expects that its proposed rate would be administered outside of the United States, its proposal should describe any non-U.S. regulations and authorities to which the rate would be subject.

- Would it be acceptable to the ARRC to receive a response which highlights features that would benefit from further market consultation and feedback?"

The ARRC would not a priori rule out a proposal from consideration that included points on which further consultation was to be sought. The ARRC will consider proposals at whatever level of detail they are presented, including an assessment of what details are final and what are not or that may benefit from further market consultation.

- Does the ARRC plan to take any actions to facilitate the availability data to benchmark administrators interested in responding to the ARRC's RFP?

  The ARRC is a voluntary body that cannot compel private-sector entities to make data available to any potential administrator. Firms responding to the RFP will need to secure rights to any data they seek on their own account and, as noted in the RFP, should demonstrate that they have or can secure the rights to any data needed in order to produce their proposed rates.

- The RFP asks the question "Describe any costs or limitations your firm would impose on the accessibility of historical data by commercial users or retail financial services customers and your firm's customer service plans." Can you clarify whether the ARRC expects respondents to provide a price list for Term SOFR and whether this should cover just access to historical data or whether it should also include access to real time data?

  The ARRC seeks what detail that respondents to the RFP are able to provide, which may include price lists if the respondent has determined them. Details should include both any costs and limitations imposed on access to historical data and on access to real-time data. The ARRC requires that the recommended administrator will make the forward-looking term rates readily accessible on a daily basis to the general public without cost and that more frequent or real-time data be provided commercially reasonable terms.