

Alternative Reference Rates Committee

May 18 Meeting Readout



This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on May 18, 2022](#). The complete meeting agenda can be found [here](#). Full minutes for this meeting will be [posted](#) in the coming weeks.

Topics discussed included CME Group's SOFR First for Options, momentum towards the Secured Overnight Financing Rate (SOFR), results from the latest sentiment survey of ARRC members, ARRC working group updates, and work evaluating 12-month Term SOFR.

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

Meeting Readout: May 18, 2022

Members [welcomed](#) CME Group's announcement regarding the launch of [SOFR First for Options](#), an initiative aimed at accelerating the growth of Secured Overnight Financing Rate (SOFR) options trading. This significant initiative is consistent with [supervisory guidance](#) and the [ARRC's recommendation](#) to cease entering into new LIBOR contracts immediately, as well as the Commodity Futures Trading Commission [Market Risk Advisory Committee's SOFR First](#) recommendation. In particular, SOFR First for Options builds on the impressive growth already seen in SOFR futures and will help propel successful transition of the exchange-traded options market.

Overall, members noted that the transition away from LIBOR to SOFR has become well established, with the strong progress made year-to-date holding firm as the year progresses.

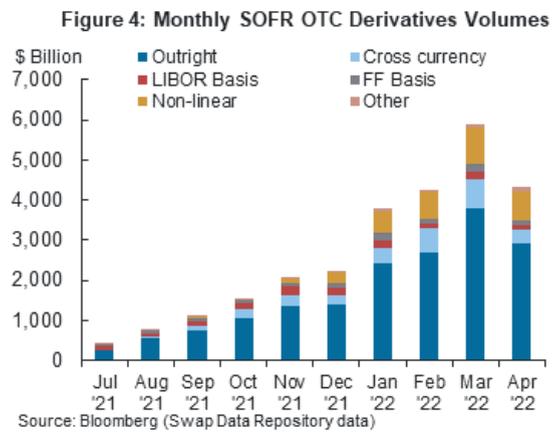
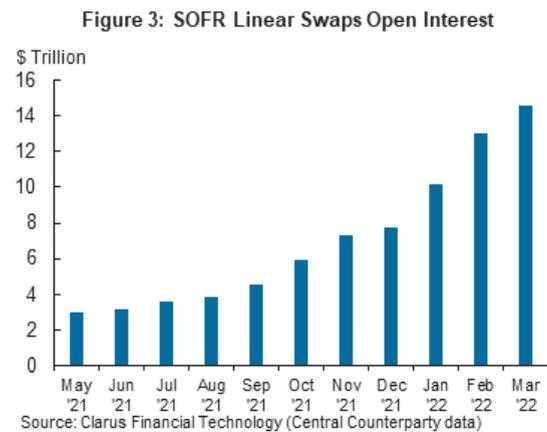
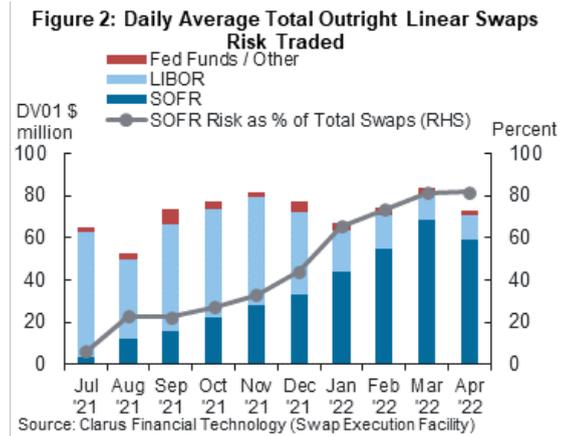
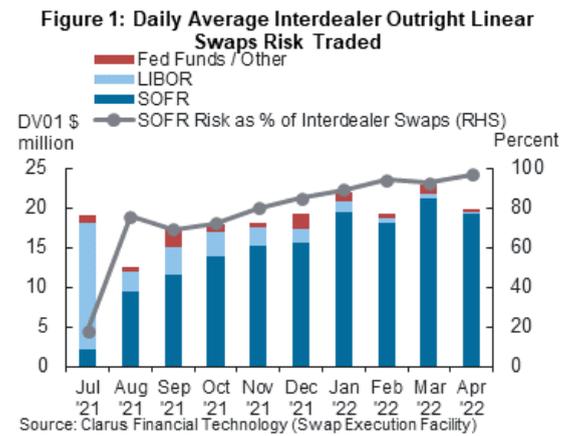
- As shown in the charts below, activity data from cash and derivatives markets show that the strong uptick in momentum observed in the first quarter of the year has held up over time. Specifically:
 - Figure 2 shows that SOFR swaps have accounted for around 80 percent of interest rate risk traded in the outright linear swaps market for the last three months.
 - Figure 8 shows that SOFR futures volumes and open interest continue to increase relative to Eurodollar futures and the overall STIR futures market.
- Anecdotal feedback also reflects sustained progress in the shift from LIBOR to SOFR. In the latest survey of ARRC members, respondents noted the encouraging growth in SOFR futures and continued to characterize the LIBOR transition overall as progressing smoothly or generally smoothly into 2022.

ARRC members continued to discuss best practice recommendations regarding contracts that reference ICE USD LIBOR swap rates, which are not covered by [federal legislation](#). ARRC members also discussed the operational work that will be 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.

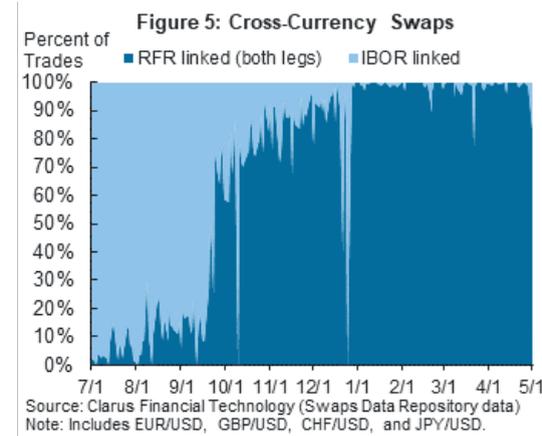
The Term Rate Task Force provided an update on its work around the consideration of a recommendation of 12-month Term SOFR by the ARRC. Similar to its process before [formally recommending 1-, 3-, and 6-month CME Term SOFR](#) in mid-2021, the ARRC has conducted its evaluation of 12-month Term SOFR in a manner consistent with the [principles](#) and [indicators](#) it had established. Following the Term Rate Task Force update, ARRC members unanimously voted to approve the [ARRC's endorsement of the CME 12-month Term SOFR rate](#), recommending that this rate be used primarily for legacy LIBOR consumer products and trade and receivables finance.

Alternative Reference Rates Committee May 18 Meeting Readout: Figures

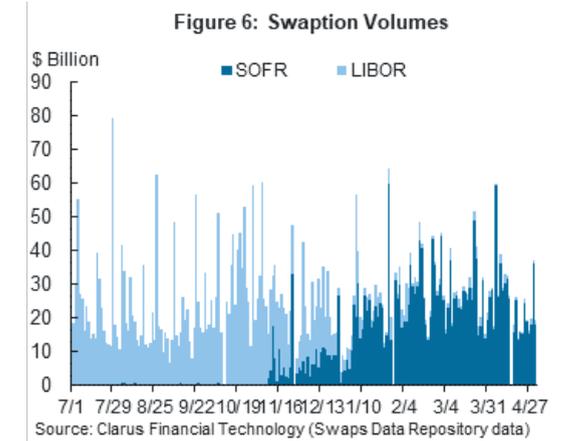
Linear Swaps



Cross-Currency Swaps



Non-Linear Derivatives



Alternative Reference Rates Committee

May 18 Meeting Readout: Figures

Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

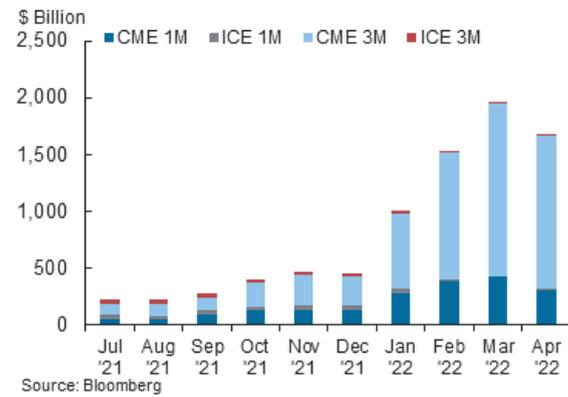
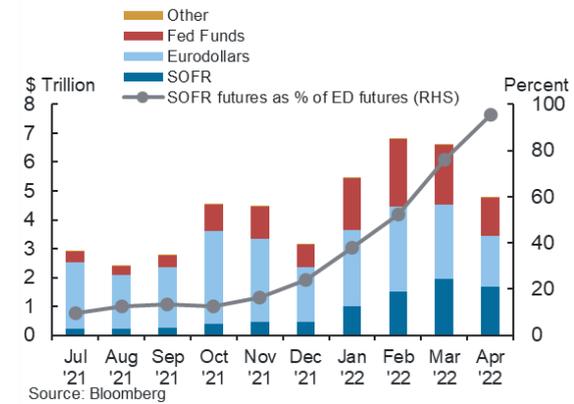


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

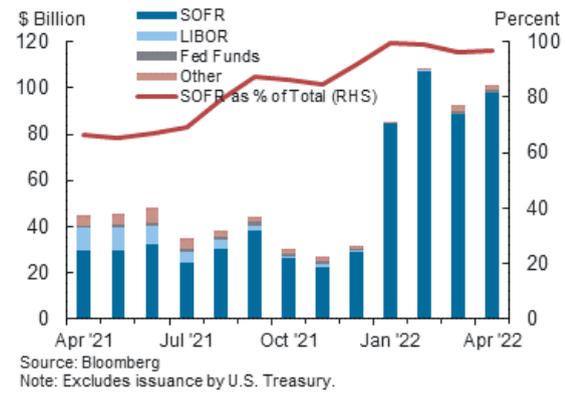


Figure 10: SOFR-indexed ARM Agency MBS

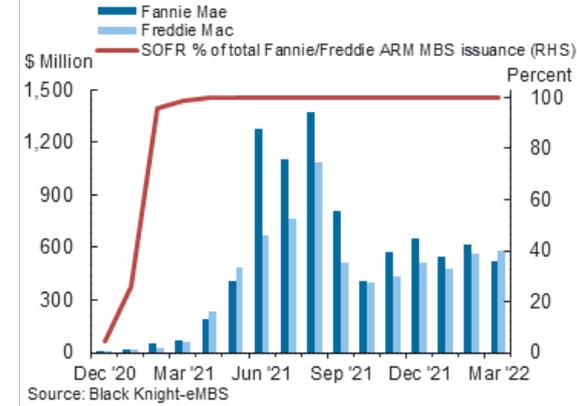


Figure 11: Syndicated Lending

