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**

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded
- Fed Funds/OIS
- SOFR
- SOFR Risk as % of Interdealer Swaps (RA-6)

Figure 2: Daily Average Total Outright Linear Swaps Risk Traded
- Fed Funds/OIS
- SOFR
- SOFR Risk as % of Total Swaps (RA-6)

**Cross-Currency Swaps**

Figure 3: SOFR Correlation Swaps Open Interest

Figure 4: Monthly SOFR OTC Derivatives Volumes

**Non-Linear Derivatives**

Figure 5: Cross-Currency Swaps
- Percent of Trades

Figure 6: Swaption Volumes
- SOFR
- LIBOR

Sources:
- CME Group
- CME Update
- Bloomberg (Swaps Data Repository Data)
- CME Group (Swaps Data Repository Data)