

Alternative Reference Rates Committee

September 8 Meeting Readout



This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on September 8, 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 momentum towards the Secured Overnight Financing Rate (SOFR), results from both the latest sentiment survey of ARRC members as well as the publicly-available loan remediation survey, and ARRC working group updates.

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

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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 continued momentum in transition. SOFR is now the predominant rate across cash and derivatives markets. Specifically:

- Figure 2 shows that SOFR swaps have accounted for around 90 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market for the last two months while LIBOR swaps have declined to less than 10 percent.
- Figure 8 shows that average daily SOFR futures volumes surpass average daily Eurodollar futures volumes, accounting for around 50 percent of the STIR futures market in July.

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 July 2022](#). Respondents noted a focus on the Federal Reserve rule-making process and determination of replacement benchmark rates under the federal LIBOR legislation, the very encouraging progress in SOFR futures and options, particularly following CME's SOFR First for Options initiative, the remediation of legacy contracts and usage of Term SOFR in derivatives markets.

CME Group provided an update on its [proposal](#) on final mandatory conversion to fallbacks in Eurodollar futures and options contracts on April 14, 2023. ARRC members were encouraged to engage with the proposal.

ARRC members noted last month's [public release](#) of its [Loan Remediation Survey](#). Around 90 percent of respondents indicated that they have documented remediation plans in place.

The ARRC Operations & Infrastructure working group provided an update on its work on a solution that can facilitate effective and efficient communication of rate changes in LIBOR contracts following the June 30, 2023 end of LIBOR as a panel-based rate. Stakeholders have been working to capture detailed requirements. The Term SOFR term sheet is almost finalized and programming for the final DTCC solution will commence soon. The DTCC working groups have also started to finalize the ON SOFR Term sheet.

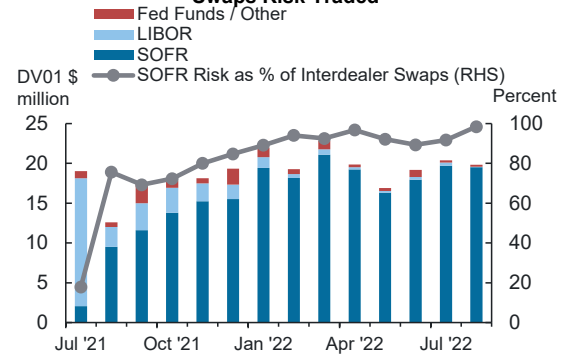
The Term Rate Task Force provided an update on its discussions around term SOFR derivatives. In particular, the Task Force has been discussing participants' views on the level of awareness of the existing [ARRC best practice recommendations on the scope of use of Term SOFR](#) and making limited refinements to sustain the availability of term SOFR for use by corporate borrowers in business loans. It was noted that the Task Force has distinctly not reconvened to materially relax the substance of the ARRC's best practice recommendations.

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September 8 Meeting Readout: Figures

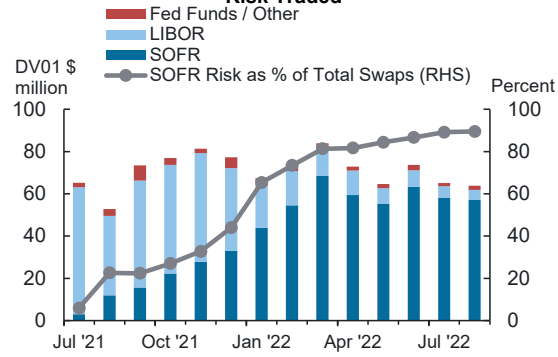
Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded



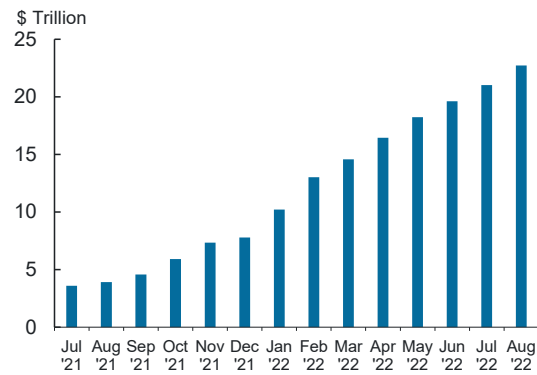
Source: Clarus Financial Technology (Swap Execution Facility)

Figure 2: Daily Average Total Outright Linear Swaps Risk Traded



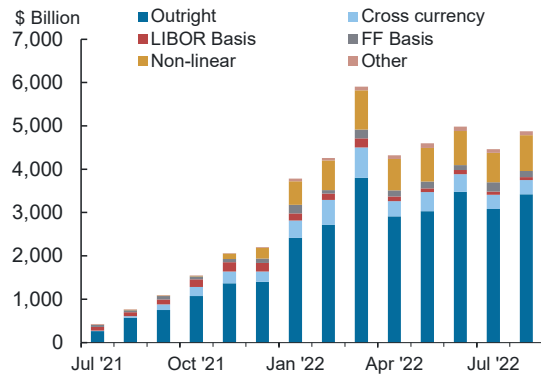
Source: Clarus Financial Technology (Swap Execution Facility)

Figure 3: SOFR Linear Swaps Open Interest



Source: Clarus Financial Technology (Central Counterparty data)

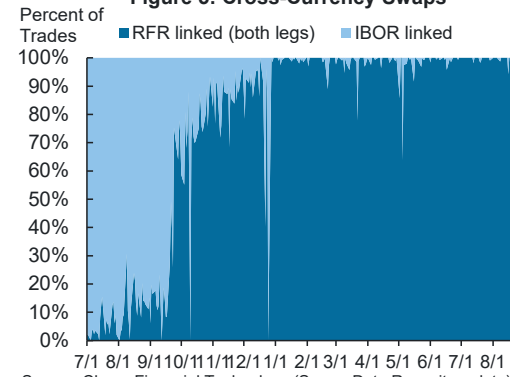
Figure 4: Monthly SOFR OTC Derivatives Volumes



Source: Bloomberg (Swap Data Repository data)

Cross-Currency Swaps

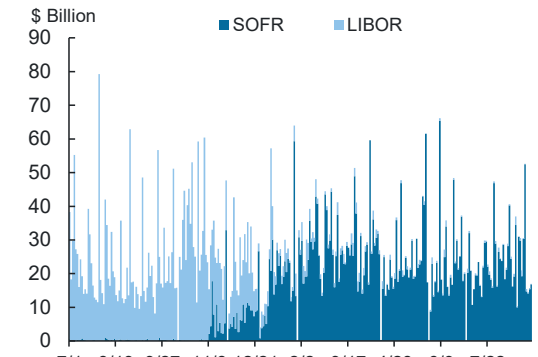
Figure 5: Cross-Currency Swaps



Source: Clarus Financial Technology (Swaps 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 (Swaps Data Repository data)

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Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

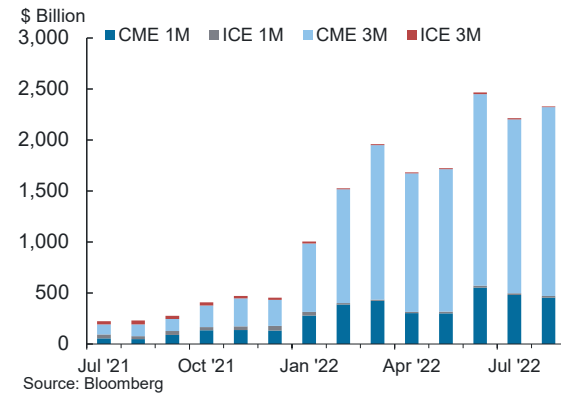
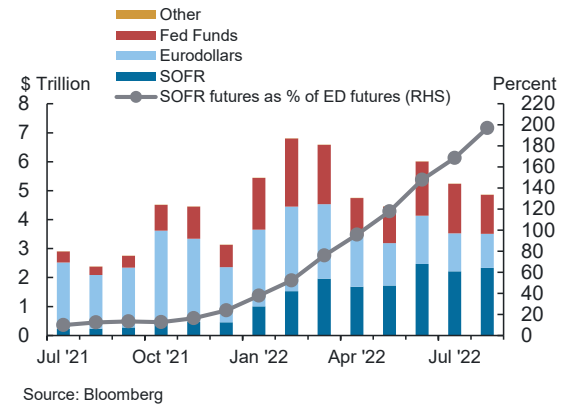


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

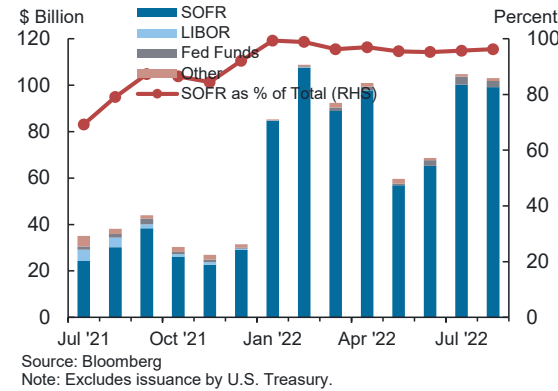


Figure 10: SOFR FRN Issuance by Issuer Type

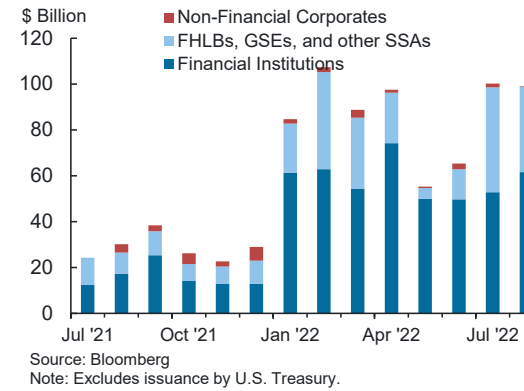


Figure 11: Syndicated Lending

