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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Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded

Figure 2: Daily Average Total Outright Linear Swaps Risk Traded

Figure 3: SOFR Linear Swaps Open Interest

Cross-Currency Swaps

Figure 4: Monthly SOFR OTC Derivatives Volumes

Figure 5: Cross-Currency Swaps

Non-Linear Derivatives

Figure 6: Swaption Volumes
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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

Source: Bloomberg
Note: Excludes issuance by U.S. Treasury.