ARRC members noted continued progress in the transition from LIBOR to SOFR throughout 2022 and the beginning of 2023. As shown in the charts below, data from cash and derivatives markets show continued momentum in the transition. SOFR is predominant across cash and derivatives markets. Specifically:

- Figure 2 shows that SOFR swaps have consistently accounted for more than 85 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market since June 2022 while LIBOR swaps accounted for less than about 10 percent of the overall volume over the same period.
- Figure 8 shows that average daily SOFR futures volumes steadily increased throughout 2022 and the beginning of 2023. Average daily SOFR futures volumes remain well above average daily Eurodollar futures volumes. Conversely, average daily Eurodollar volumes have diminished considerably throughout 2022 and the beginning of 2023.

ARRC members discussed transition-related progress and issues observed in the market. Members noted some improvement had been made in the pace of remediation of leveraged loans, one of the key remaining market segments needing to accelerate the transition away from LIBOR ahead of June 30, 2023, but that further progress was needed.

The Operations/Infrastructure Working Group provided an update on its work on the DTCC’s LIBOR Replacement Index Communication Tool aimed at facilitating effective and efficient communication of rate changes in LIBOR contracts following June 30, 2023. For U.S.-issued securities, the ARRC recommends that all determining persons, agents, and other parties responsible for disseminating information use this system for communicating rate/conforming changes:

- Testing on the front-end data screens was completed on February 3rd, with good participation across the submitting community, made of issuers, trustees and agents.
- Meetings have continued with the market data providers about their readiness to accept these messages; these discussions have included how they plan to leverage the messages.
- The tool will move into production on 2/24. During the first day there will be a controlled number of notifications sent through the system. These notifications will demonstrate that the system is fully functioning in an end-to-end fashion.
- The first day of BAU is expected to be on 2/27.
- The group also continues to collaborate with DTCC to create a centralized LIBOR transition site to house documents on how to use the new tool, FAQ’s and additional LIBOR transition background information.
The Term Rate Task Force provided an update on its discussions around its existing ARRC best practice recommendations on the scope of use of Term SOFR, which were guided by the principles set out by the ARRC and are in line with guidance issued by the Financial Stability Board. The ARRC discussed the risks associated with widespread use of Term SOFR outside of the limited and targeted recommendations suggested by the ARRC as best practice, which have been carefully calibrated to ensure the robustness and sustainability of the rate itself and avoid risks to financial stability. The ARRC reiterated its existing best practice recommendations and plans to continue to assess the use of Term SOFR as part of its ongoing work related to Term SOFR’s recommended scope of use.

Topics discussed included an update on momentum towards the Secured Overnight Financing Rate (SOFR), transition-related progress and issues, and ARRC working group updates.

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Alternative Reference Rates Committee

February 9 Meeting Readout: Figures

### Linear Swaps

**Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded**
- Fed Funds / Other
- LIBOR
- SOFR
- SOFR Risk as % of Interdealer Swaps (RHS)

Source: Clarus Financial Technology (Swap Execution Facility)

**Figure 2: Daily Average Total Outright Swaps Risk Traded**
- Fed Funds / Other
- LIBOR
- SOFR
- SOFR Risk as % of Total Swaps (RHS)

Source: Clarus Financial Technology (Swap Execution Facility)

### Cross-Currency Swaps

**Figure 5: Cross-Currency Swaps**
- RFR linked (both legs)
- IBOR linked

Note: Includes EUR/USD, GBP/USD, CHF/USD, and JPY/USD

Source: Clarus Financial Technology (Swap Data Repository data)

### Non-Linear Derivatives

**Figure 3: SOFR Linear Swaps Open Interest**

Source: Clarus Financial Technology (Central Counterparty data)

**Figure 4: Monthly SOFR OTC Derivatives Volumes**

**Figure 6: Swaption Volumes**

Source: Clarus Financial Technology (Swap Data Repository data)
Alternative Reference Rates Committee

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**Exchange-Traded Derivatives**

Figure 7: Average Daily Notional SOFR Futures Volumes

- **CME 1M**
- **ICE 1M**
- **CME 3M**
- **ICE 3M**

Source: Bloomberg

**Cash Products**

Figure 8: STIR Futures Average Daily Volumes

- Other
- Fed Funds
- Eurodollars
- SOFR
- SOFR futures as % of Total (RHS)

Source: Bloomberg

Figure 9: FRN Issuance by Reference Rate

- SOFR
- LIBOR
- Fed Funds
- Other
- SOFR as % of Total (RHS)

Source: Bloomberg

Note: Excludes issuance by U.S. Treasury.

Figure 10: SOFR FRN Issuance by Issuer Type

- Non-Financial Corporates
- FHLBs, GSEs, and other SSAs
- Financial Institutions

Source: Bloomberg

Note: Excludes issuance by U.S. Treasury.

Figure 11: Syndicated Lending

- SOFR
- LIBOR
- SOFR as % of Total (RHS)

Source: LCD Leveraged Commentary & Data, and Refinitiv LPC.