CME Group

Agha Mirza
Managing Director
Rates and OTC Business Line Management

September 12, 2024

VIA ELECTRONIC MAIL

Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Re: Request for Public Comment on Proposed Modifications to the Secured Overnight Financing Rate (SOFR) Methodology

CME Group appreciates the opportunity to comment on the proposed modifications to the Secured Overnight Financing Rate (SOFR) calculation methodology published by the Federal Reserve Bank of New York (FRBNY) on July 18, 2024.[1] CME Group will comment on the first and second questions posed in this document, as stated below:

- Do you agree that affiliated transactions should be removed from the centrally-cleared DVP segment, given affiliated transactions are already removed from the BNY tri-party data?

CME Group agrees with removing affiliated transactions from the centrally-cleared DVP segment to align this segment's methodology with the BNY tri-party data segment.

- Do you agree with removing a consistent 20 percent of the lowest-rate DVP transactions from the centrally-cleared DVP segment for the reasons outlined in this proposal?

CME Group agrees with the proposal to remove a consistent 20% of the lowest-rate DVP transactions from the DVP segment. We appreciate the FRBNY's analysis demonstrating that this change is necessary due to the expansion of centrally-cleared repo trades that have affected the distribution of volume-weighted transaction data. We also agree with FRBNY's reasoning that centrally-cleared repo trades are likely to continue to increase as a result of the Security and Exchange Commission's (SEC) rule requiring certain repo transactions to be centrally-cleared beginning in June 2026.[2]

As a market leader in SOFR-based futures, options, and cleared swaps, CME Group is committed to ensuring that SOFR remains a robust and representative benchmark for U.S. dollar short-term interest rate markets.

Sincerely,

/s/ Agha Mirza
Managing Director, Rates and OTC Business Line Management

[1] Reference Request for Public Comment on Proposed Modifications to the Secured Overnight Financing (SOFR) Rate Methodology, Federal Reserve Bank of New York dated July 18, 2024

[2] Reference SEC Press Release 2023-247 dated December 13, 2023

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DV Trading

Dear NY Fed,

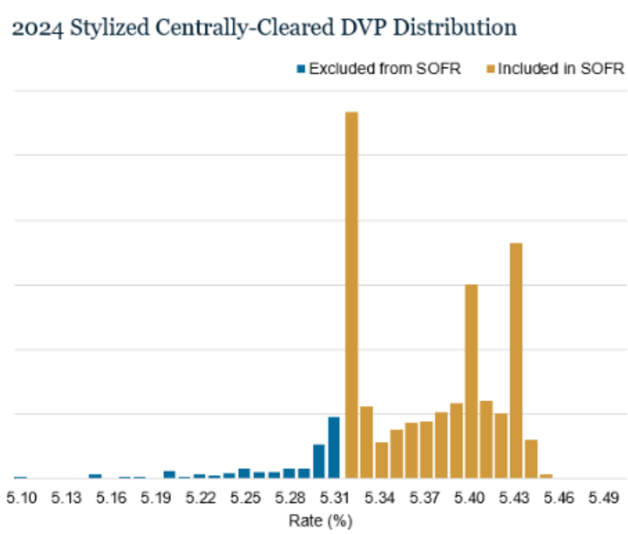
With regards for your request for comment, I have the below comments and questions:

Do you agree that affiliated transactions should be removed from the centrally-cleared DVP segment, given affiliated transactions are already removed from the BNY tri-party data?

- This seems reasonable, to the extent that affiliated transaction may not be arms-length and therefore may not be indicative of where repo transactions between unaffiliated transactions are taking place. Having said that, if the percentage of total volume of affiliated transactions became large enough, you may end up throwing out a lot of data, such that the remaining amount is no longer indicative or displays unacceptable volatility day-to-day. This doesn't appear to be a problem in recent years based on the data you provided, however the future is not guaranteed to look like the past.

Do you agree with removing a consistent 20 percent of the lowest-rate DVP transactions from the centrally-cleared DVP segment for the reasons outlined in this proposal?

-
- It's hard to say based on the data you supplied; I believe the goal of this change is to more accurately remove those transactions for issues that are trading 'special'. I haven't seen any analysis, however, which indicates that this methodology improves on the old in this respect. At the very least, it'd be helpful to see this chart (taken from your webpage) but produced under the new methodology.



Are there any additional considerations that you would like to highlight regarding the impact of planned or potential evolution of the Treasury repo market on SOFR?

- The data on your estimate of what the new rate would be only go up until June 2023. It would useful to have this time series all the way to July 2024 (and updated as time goes on from time to time), to assess the impact on more recent SOFR rates.

- It might also be useful to extend the new rate estimate back to January 2019 (or at least the beginning of September 2019) to capture the repo spike in September 2019 and assess the impact this methodology would have had on that.

Sincerely,

Tom Armstrong
Trader

DV trading

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847-204-9616

Ronda Lane

I don't agree or I do agree with this proposal. Doesn't matter
Whatever it is ..... It is.
Do what the RIGHT thing to
Do is and that's surely not my decision or choice. Just
Do the right thing that's
All I ask ,,, thank you
Ronda Lane 07/18/24

SOFR Academy

SOFR Academy
Robust transparency for Capital Markets

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Submitted via electronic email to rateproduction@ny.frb.org

September 16, 2024

Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045 USA

Re: Response to request for Public Comment on Proposed Modifications to the Secured Overnight Financing Rate (SOFR) Methodology

SOFR Academy, Inc. ("SOFR Academy")[1] welcomes the opportunity to respond to the Federal Reserve Bank of New York's ("NY Fed") request for Public Comment on Proposed Modifications to the SOFR Methodology. SOFR Academy supports both proposed methodology changes, and we applaud the NY Fed's proactive work to evolve the calculation methodology with the changing market.

Contacts:

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Alex Roever, Senior Advisor, alexr@sofr.org

[1] The Firm's panel of advisors includes former U.S. Treasury Secretary Lawrence H. Summers, in addition to academics from the University of California Berkeley, New York University, The University of Oxford, London Business School, and Tsinghua University, as well as experienced financial market professionals. The firm is a member of the American Economic Association (AEA), the Loan Syndications and Trading Association (LSTA), the International Swaps and Derivatives Association (ISDA), the U.S. Chamber of Commerce (USCC) and the Bretton Woods Committee (BWC). For more information, please visit www.SOFR.org.

Anonymous

To whom it may concern,

Thanks very much for your time providing details on the proposal. Please find below for my comments on the new SOFR methodology proposal. I request **anonymity** for my comments.

- Do you agree that affiliated transactions should be removed from the centrally-cleared DVP segment, given affiliated transactions are already removed from the BNY tri-party data?
  Yes I agree.
- Do you agree with removing a consistent 20 percent of the lowest-rate DVP transactions from the centrally-cleared DVP segment for the reasons outlined in this proposal?
  Yes I agree with a consistent 20% of the transactions should be removed to avoid daily volatility in both the rate and the volume for the final SOFR print. The number 20% looks well calibrated to avoid historical discrepancies.
- Are there any additional considerations that you would like to highlight regarding the impact of planned or potential evolution of the Treasury repo market on SOFR?
  1. I want to confirm and clarify that the new methodology won't impact the historical published data. And the new SOFR result based on new methodology will only take effective on effective day which is expected to be Q1 2025.
  2. I'm curious on the timeline of implementing this new methodology. As we see the gradual pick up in SOFR volume with more repo transactions, it would be helpful to implement the new methodology earlier to avoid the volatilities in SOFR rate and SOFR volume.

Thank you very much!