

The ARRC's Paced Transition Plan for Developing SOFR Markets*

	Step	Anticipated Date of Completion	Actual Date
1.	Infrastructure for futures and/or OIS trading in the new rate is put in place by ARRC members	2018 H2	✓ ARRC members already trading futures and OIS
2.	Trading begins in futures and/or bilateral, uncleared, OIS that reference SOFR.	By end 2018	✓ CME launched SOFR Futures on May 7, 2018
3.	Trading begins in cleared OIS that reference SOFR in the current (EFFR) PAI and discounting environment	2019 Q1	✓ LCH began clearing SOFR swaps on July 18, 2018 ; CME began clearing SOFR swaps on October 1, 2018
4.	CME and LCH converts discounting and PAI/PAA from EFFR to SOFR on all outstanding cleared USD-denominated swap products. For CME, the conversion applies to all cleared USD interest rate swap products comprising fixed/float interest rate swaps, overnight index swaps, forward rate agreements, zero coupon swaps, basis swaps, and swaptions. For LCH, these products are USD LIBOR, USD fed funds, USD SOFR interest rate swaps, and USD CPI zero coupon inflation swaps. All new contracts after the conversion date uses SOFR for discounting and PAI for both CME and LCH. Additionally, LCH converts non-deliverable currencies and MXN on this same date while CME converts non-deliverable currencies and MXN at a later date.	Close of business on October 16, 2020	✓ CME and LCH converted discounting and PAI/PAA on all outstanding cleared USD-denominated swap products starting close of business on October 16, 2020 and finishing doing so before open of business on October 19, 2020
5.	Creation of a term reference rate based on SOFR-derivatives markets once liquidity has developed sufficiently to produce a robust rate.	Goal for completion is in 2021 H1	

**In the original formulation of the ARRC's Paced Transition Plan set out in the ARRC's 2017 Second Report, there had been six steps, with a Step 4 that involved CCPs providing a choice between SOFR and EFFR PAI and discounting environments for new trades (by 2020 Q1), and a Step 5 in which the CCPs would move to only offer a SOFR PAI and discounting environment for new trades (by 2021 Q2). In consultation with stakeholders, both CME and LCH subsequently determined that it was appropriate to move to the model outlined in the current Step 4, involving an immediate switchover from EFFR to SOFR PAI and discounting in a single step for both cleared new trades and legacy instruments in October 2020.*

As of 10/19/2020

The original formulation of the Paced Transition Plan also had stated that the goal for the creation of a term reference rate was anticipated by the end of 2021. In line with the ARRC's 2020 Objectives, this was since adjusted to note that the goal for completion is in the first half of 2021.