

Alternative Reference Rates Committee

November 9 Meeting Readout



This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on November 9, 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 continued progress in the transition from LIBOR to SOFR. As shown in the charts below, data from cash and derivatives markets show continued momentum in transition. SOFR is predominant across cash and derivatives markets. Specifically:

- Figure 2 shows that SOFR swaps have accounted for more than 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 accounted for less than 4 percent of the overall volume in October.
- Figure 8 shows that average daily SOFR futures volumes remain well above average daily Eurodollar futures volumes. Since July, average daily SOFR futures volumes have been nearly 3 times more than that of average daily volumes of Eurodollar futures.

In the most recent sentiment survey of ARRC members, respondents 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 September 2022](#). Respondents noted a focus on the Federal Reserve rule-making process under the LIBOR Act, whether there will be a synthetic USD LIBOR rate, remediation of legacy cash products, transition efforts in respect of USD LIBOR ICE Swap Rate and usage of Term SOFR.

ARRC members noted last month's [public release](#) of a [summary](#) of the results of its [Loan Remediation Survey](#). Overall, the results reflect encouraging progress in the business loans space but reinforce the need for timely action. While most respondents highlighted plans to actively transition their LIBOR loans to SOFR, rather than rely on fallbacks at cessation, over half of lenders expected most of their LIBOR loans to transition by the end of Q2 2023 or later, with almost 15 percent expecting their loans to transition post LIBOR cessation. The ARRC discussed conducting another loan remediation survey in early Q1 2023, which will seek to gauge progress made on remediation plans.

The 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 June 30, 2023. Working with DTCC, requirements have been gathered to expand the existing LENS system so that agents, trustees and issuers can upload transition related changes via a standard term sheet. Testing will begin in November, with a target to deploy changes in Q1 2023. The group is also collaborating 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.

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The ARRC noted that following the eventual publication of the Board of Governor's final rules under the LIBOR Act, the ARRC should consider whether any conforming changes should be made to ARRC recommendations.

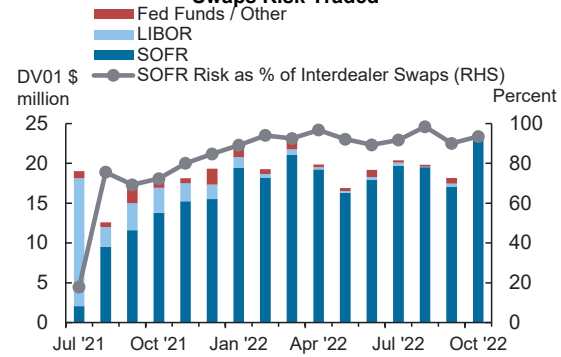
The Term Rate Task Force provided an update on its discussions around its existing [ARRC best practice recommendations on the scope of use of Term SOFR](#), which were guided by the [principles](#) set out by the ARRC and are in line with [guidance](#) issued by the Financial Stability Board. The ARRC expressed concern about some recent trends, such as securitizations using Term SOFR when they did not have underlying Term SOFR assets, that were outside the scope of the ARRC's best practice recommendations. 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.

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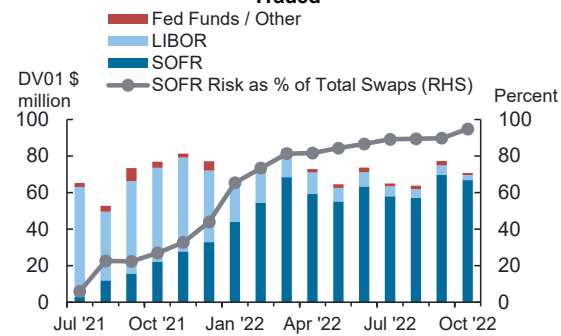
Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded



Source: Clarus Financial Technology (Swap Execution Facility)

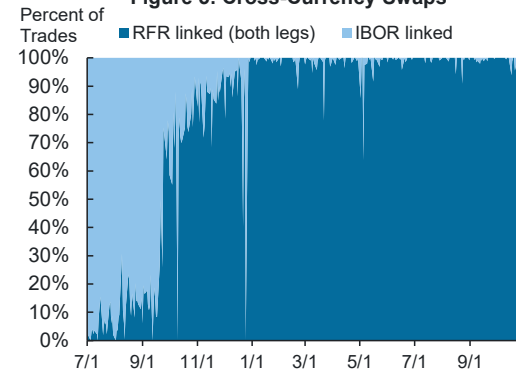
Figure 2: Daily Average Total Outright Swaps Risk Traded



Source: Clarus Financial Technology (Swap Execution Facility)
Note: Excludes swaptions

Cross-Currency Swaps

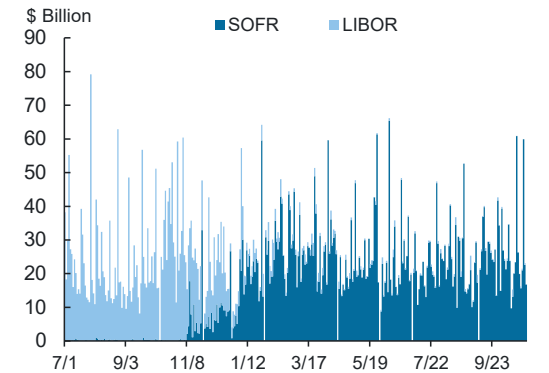
Figure 5: Cross-Currency Swaps



Source: Clarus Financial Technology (Swaps Data Repository data)
Note: Includes EUR/USD, GBP/USD, CHF/USD, and JPY/USD.

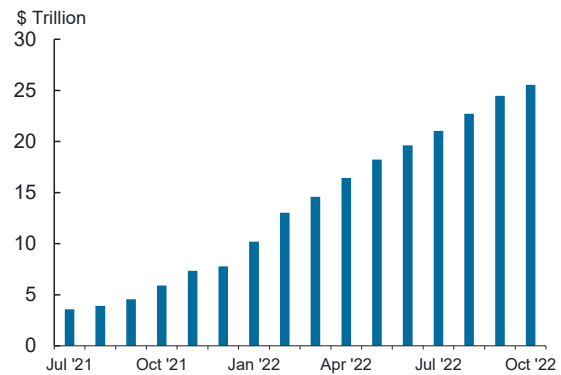
Non-Linear Derivatives

Figure 6: Swaption Volumes



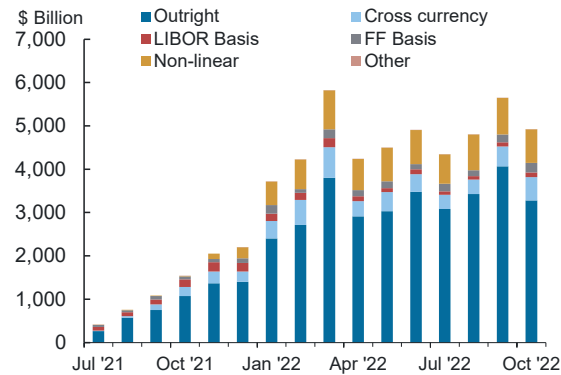
Source: Clarus Financial Technology (Swaps Data Repository data)

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)

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Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

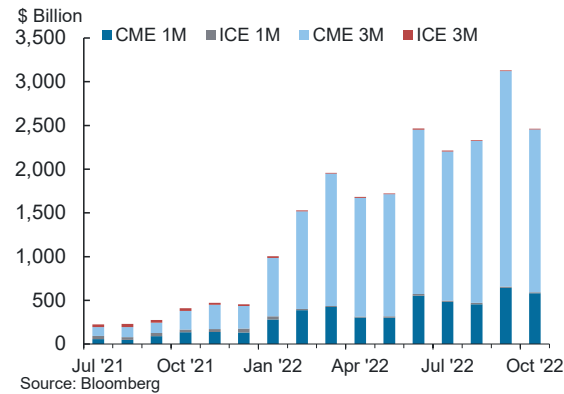
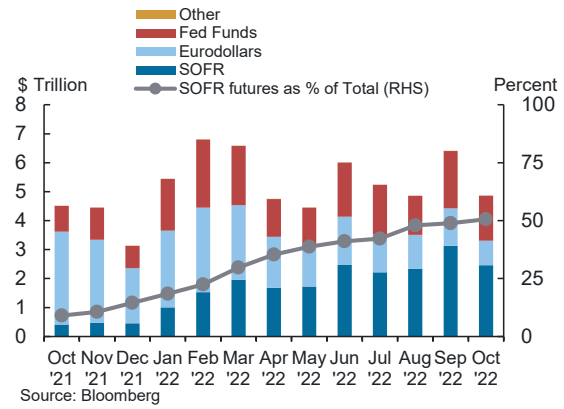


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

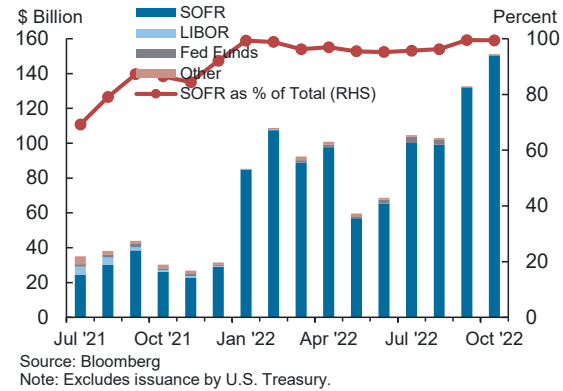


Figure 10: SOFR FRN Issuance by Issuer Type



Figure 11: Syndicated Lending

