

Alternative Reference Rates Committee

March 9 Meeting Readout

ARRC

ALTERNATIVE
REFERENCE
RATES
COMMITTEE

This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on March 9, 2023](#). 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), transition-related progress and issues, and ARRC working group updates.

Sign up [here](#) to receive email updates about the ARRC.

Meeting Readout: March 9, 2023

ARRC members noted continued progress in the transition from LIBOR to SOFR throughout 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 have 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.

LCH and CME Group gave updates on their upcoming conversion events to transition outstanding USD LIBOR cleared swaps contracts into SOFR OIS equivalents on a cash compensated basis. LCH is planning to [convert swaps](#) in 2 tranches: the first conducted on April 22 and the second on May 20. Further details of the conditions and for the intra-day conversion process applicable after the second event are available to LCH customers in “Operational Considerations” materials available at [LCH’s Knowledge Centre](#). CME Group’s OTC swap [conversion event](#) is scheduled to take place on April 21. CME Group will also [convert all eligible Eurodollar futures and options](#) under its fallback rules to SOFR equivalent contracts on April 14 as described in [Transitioning from Eurodollar futures and options to SOFR - FAQ - CME Group](#). More broadly, It was noted that market participants should be aware of the LCH/CME conversion dates even if they are not involved in trading these instruments if they have internal systems such as the construction of interest rate curves that may currently depend on use of LIBOR futures or swaps prices. The ARRC applauded the proactive approach of both LCH and CME to these key transition milestones.

The ARRC discussed the [implementation](#) of the contractual provisions of its recommended hardwired fallback language and the various selections and recommendations the ARRC has made as a “Relevant Governmental Body” which underpin that implementation. The ARRC discussed a draft [document](#) making and summarizing those recommendations related to its hardwired fallback language, which details the recommended benchmark replacement rate and recommended spread adjustment for various contract types across different tenors under the hardwired fallback language in a consolidated manner. The ARRC also reiterated that its recommendations may be adopted voluntarily by parties that are able and choose to use its recommended fallbacks in legacy LIBOR contracts in which the replacement rate is determined by one or more parties to the contract rather than directly set by the terms of the contract.

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The Operations/Infrastructure Working Group provided an update on its work on the DTCC 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:

- The tool moved into production on 2/24. The first notifications were received on 2/27. As of 3/6, there have been 146 notifications received from three different parties.
- In addition to submitting the notifications via the LIBOR Index Communication Tool, some parties also sent out press releases.
- 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 output of all communications so far can be consumed via the DTCC LENS platforms for existing subscribers.
- As of 3/6, no Market Data Providers are live with the autoroute file capabilities.
- 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 Regulatory Issues Working Group provided an update on their engagement with the CFTC pre-trade mid-mark obligations for SOFR Swaps and regulatory transaction reporting required in relation to the cessation of the USD LIBOR panel on June 30, 2023.

The Term Rate Task Force provided an update on its discussions and presented a draft paper that summarizes the ARRC's best practice recommendations on the scope of use of Term SOFR.

Alternative Reference Rates Committee

March 9 Meeting Readout: Figures

Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded

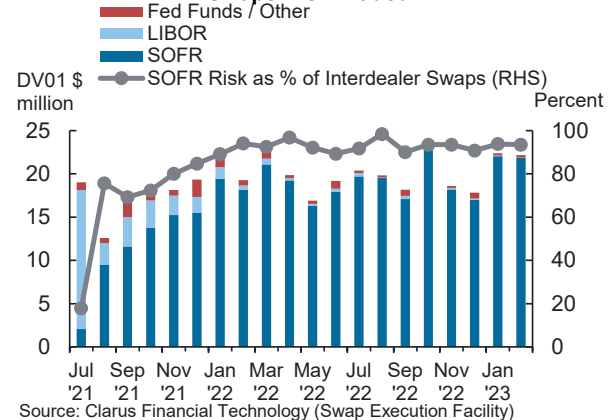


Figure 2: Daily Average Total Outright Swaps Risk Traded

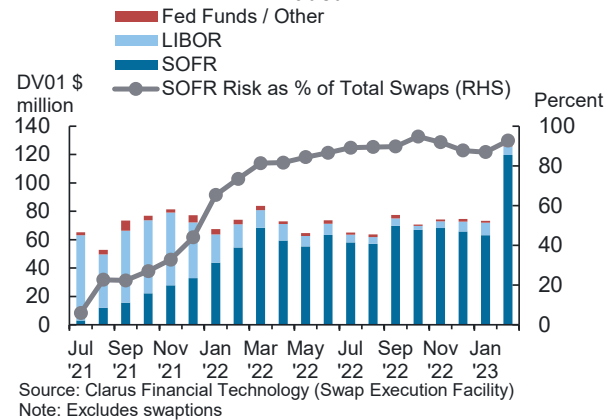


Figure 3: SOFR Linear Swaps Open Interest

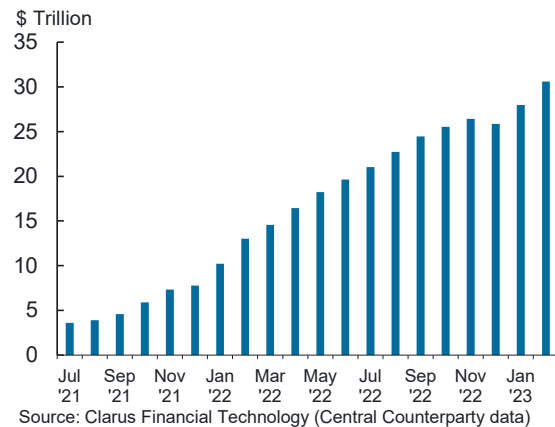
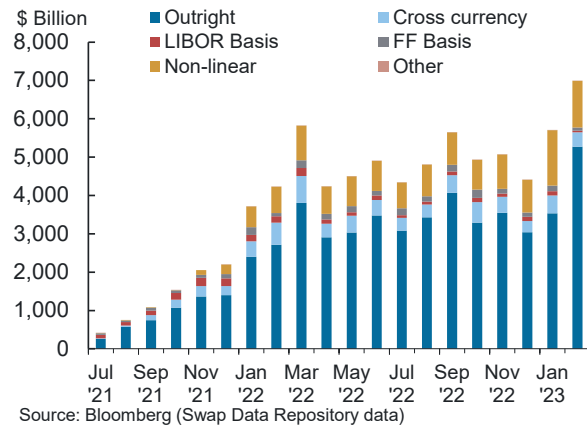
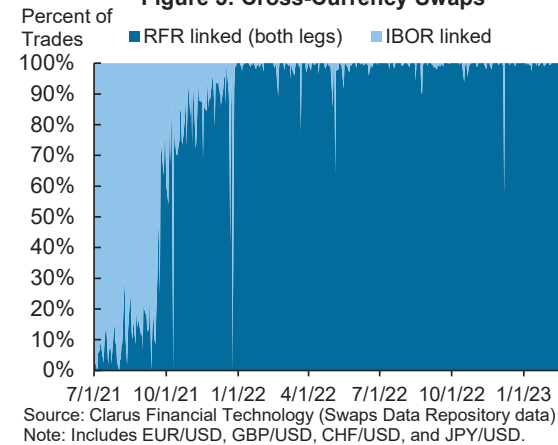


Figure 4: Monthly SOFR OTC Derivatives Volumes



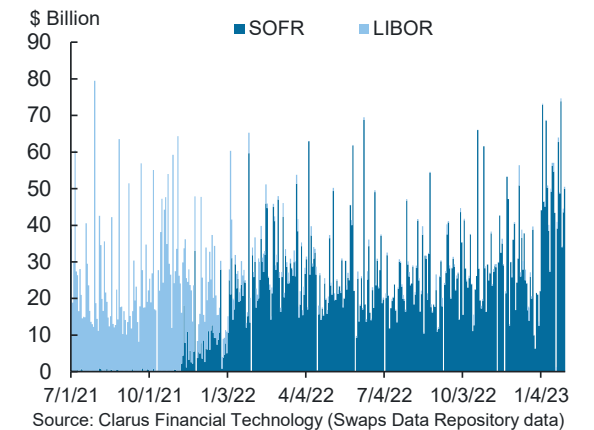
Cross-Currency Swaps

Figure 5: Cross-Currency Swaps



Non-Linear Derivatives

Figure 6: Swaption Volumes



Alternative Reference Rates Committee

March 9 Meeting Readout: Figures

Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

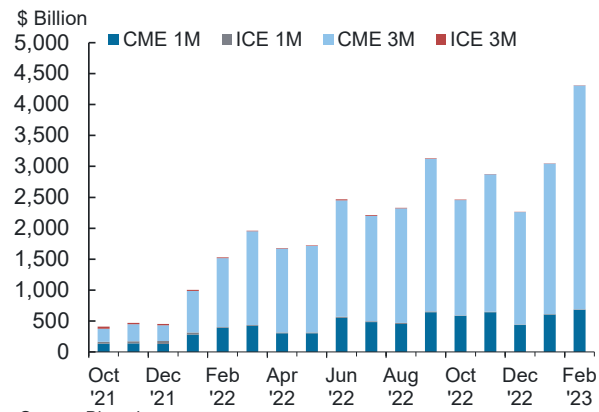
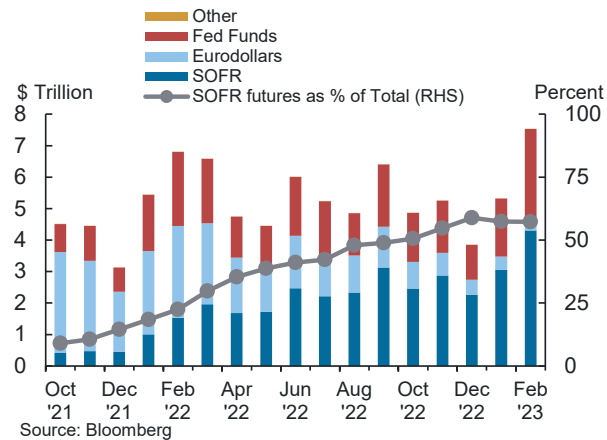


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

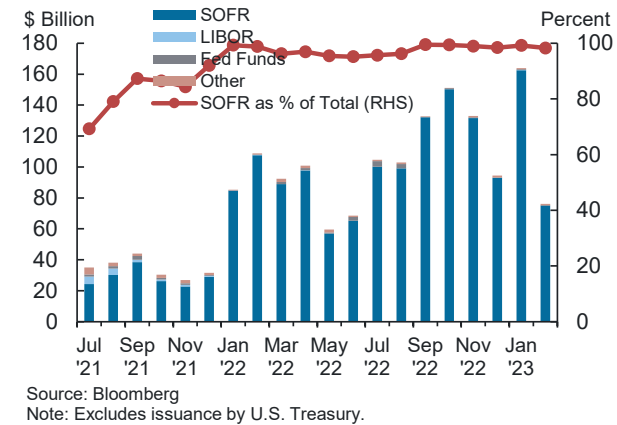


Figure 10: SOFR FRN Issuance by Issuer Type

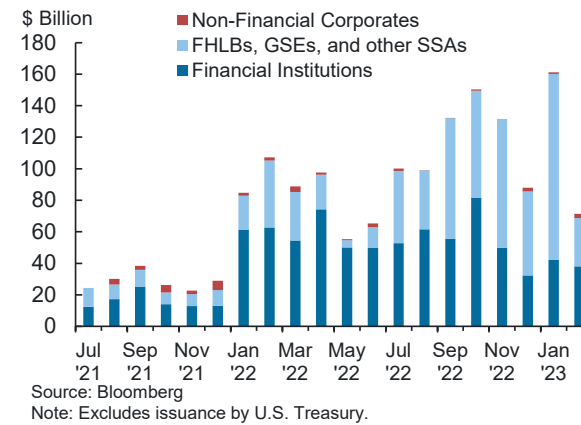


Figure 11: Syndicated Lending

