

# ARRC

## Alternative Reference Rates Committee | Newsletter

December 2018

This periodic newsletter provides an update for those with an interest in the work of the Alternative Reference Rates Committee (ARRC), keeping you well informed on key news relating to risk-free rates transition in the U.S. and global markets.

### ARRC Developments

- The ARRC released consultations on U.S. dollar (USD) LIBOR fallback contract language for [bilateral business loans](#) and [securitizations](#) for public feedback. Comments are due by February 5, 2019
- The ARRC posted comments received on its consultations on fallback language for [floating rate notes](#) (FRNs) and [syndicated business loans](#) ([here](#) and [here](#))
- The ARRC published a [timeline](#) of key milestones as well as a set of [frequently asked questions](#) regarding the previously released consultation on USD LIBOR fallback contract language for FRNs

### International Highlights

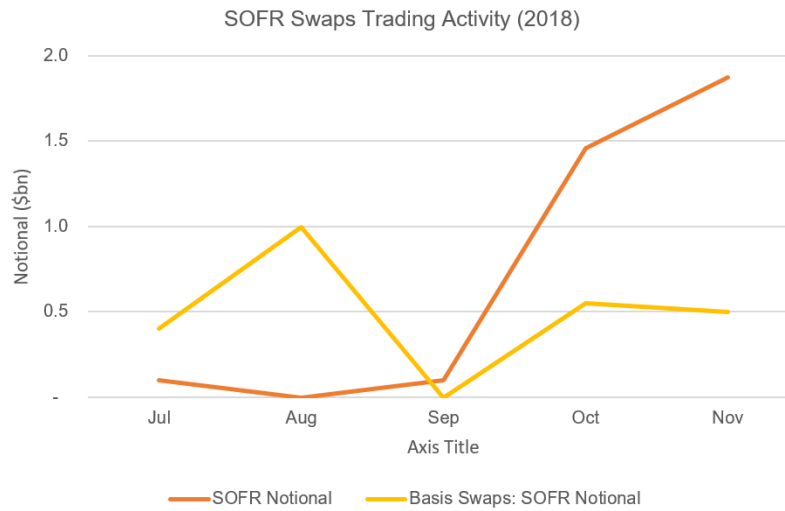
- The Financial Stability Board's Official Sector Steering Group published a [progress report](#) on implementation of its recommendations to reform major interest rate benchmarks
- Responses to Prudential Regulation Authority/Financial Conduct Authority [Dear CEO letter](#) were due December 14, 2018 (large banks and insurers)
- The Working Group on Sterling Risk-Free Reference Rates published a summary of the [responses](#) to its consultation on Term SONIA Reference Rates
- The Working Group on Euro Risk-Free Rates recommended [ESTER](#) as the preferred alternative risk-free rates
- The National Working Group on Swiss-currency Reference Interest Rates (NWG) released [minutes](#) that covered its conclusion that a robust derivatives-based term rate is not feasible. NWG also published a [document](#) on achieving operational readiness to facilitate a transition away from LIBOR

### Market Developments

- International Swaps and Derivatives Association (ISDA) published the [preliminary results](#) of a consultation on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain IBORs
- Financial Accounting Standards Board officially [added](#) SOFR to the list of approved rates for hedge accounting
- ISDA released third-quarter interest rate benchmark [review](#) for the nine months ending September 30. The report provides an analysis of the trading volumes of interest rate derivative transactions referencing SOFR

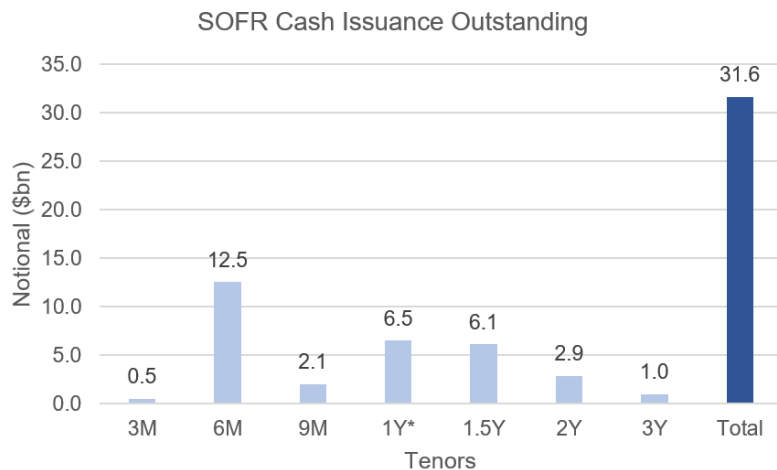
## SOFR Market Liquidity

- Cleared SOFR-linked derivatives began trading in July 2018. There has been over \$6 billion in traded notional since then



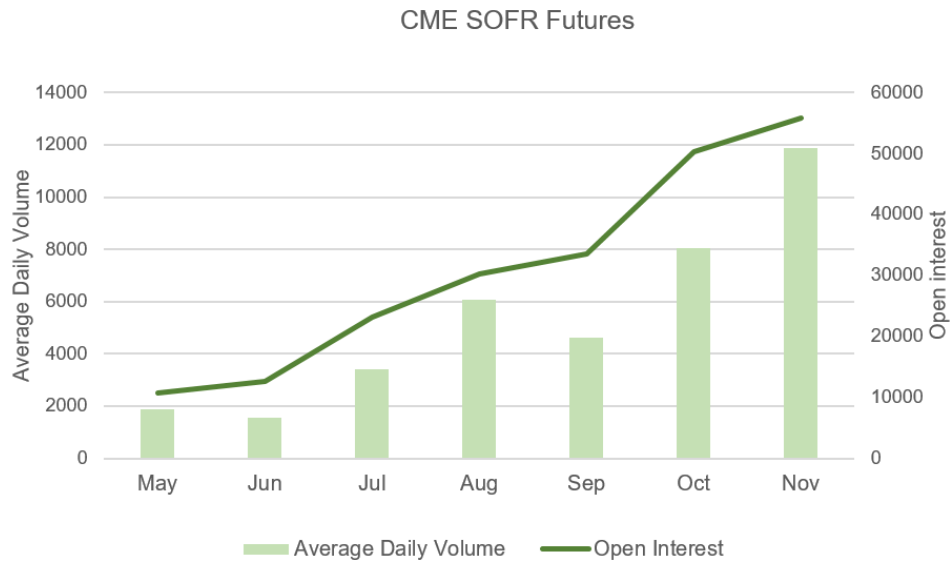
(As of December 12, 2018; Source: [Clarus Financial Technology](#))

- As of December 12, SOFR cash issuance had reached \$31.6 billion outstanding. With another issuance by the Federal Home Loan Bank yesterday, that brings the total to over \$35 billion outstanding



(As of December 12, 2018; Source: [CME Group](#))

- Average daily volume and open interest for CME Futures has been on an upward trajectory since May 2018



(As of December 12, 2018; Source: [CME Group](#))

\*Includes the \$107.3M Triborough Bridge & Tunnel Authority Notes remarketed with a 1-year mandatory tender date and 13.5 year final maturity