

Alternative Reference Rates Committee

April 20 Meeting Readout



This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on April 20, 2023](#). The complete meeting agenda can be found [here](#). Full minutes for this meeting will be [posted](#) in the coming weeks.

The ARRC approved a new [publication](#) summarizing and updating its Best Practice Recommendations on the Scope of Use of Term SOFR.

Other topics discussed included momentum towards SOFR, CCP conversions, transition-related progress and issues, ICE LIBOR Swap Rates, and use of DTCC's LIBOR Communication Tool.

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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. 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.

The Term Rate Task Force provided an update on its efforts to consider the ARRC's Term SOFR scope of use recommendations in response to market participant feedback on possible uses of Term SOFR and official sector recommendations that such use should be limited. The Task Force presented a [paper](#) that notes the official sector's recommendations, summarizes the ARRC's scope of use best practice recommendations, and sets forth a limited refinement to the ARRC's recommendations addressing the use of Term SOFR in Term SOFR-SOFR basis swaps between a dealer and non-dealer. ARRC ex-officio members also reported that, independent and separate from the ARRC's work, official sector representatives discussed with CME Group the extent to which its Term SOFR licensing agreement is consistent with the official sector's interest in limiting the use of Term SOFR, while expressly acknowledging that CME Group would independently determine its licensing terms. The ARRC then approved for publication the [Summary and Update of the ARRC Term SOFR Scope of Use Recommendations](#), with CME Group and a limited number of private sector ARRC members abstaining from participation in the approval process.

CME Group gave an update on their successful conversion of Eurodollar contracts on the weekend of April 14. CME Group will also convert CME-cleared [USD LIBOR swaps](#) on April 21, with LCH planning to [convert LCH-cleared LIBOR-linked swaps](#) in 2 tranches: the first 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](#).

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ARRC members discussed the transition away from the USD LIBOR ICE Swap Rate and adherence to ISDA's [June 2022 Benchmark Module](#) to the [2021 Fallbacks Protocol](#), which is based on [ARRC recommendations](#). The ARRC continues to recommend that market participants remediate contracts referencing the USD LIBOR ICE Swap Rate, including via adhering to the ISDA fallbacks, particularly as neither the LIBOR Act nor the FCA's 'synthetic powers' extend to the ICE Swap Rate. See [ISDA's website](#) for additional information regarding the USD LIBOR ICE Swap Rate fallbacks, including guidance about how they would apply and bilateral templates to include them in legacy contracts with counterparties that do not adhere to the June 2022 Benchmark Module.

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:

- As of April 15, there have been 5,700+ notifications received.
- Large market data service providers have been connected to the tool and have received all notifications.
- The output of all communications so far can be consumed via the DTCC LENS platforms for existing subscribers.

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April 20 Meeting Readout: Figures

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Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear Swaps Risk Traded

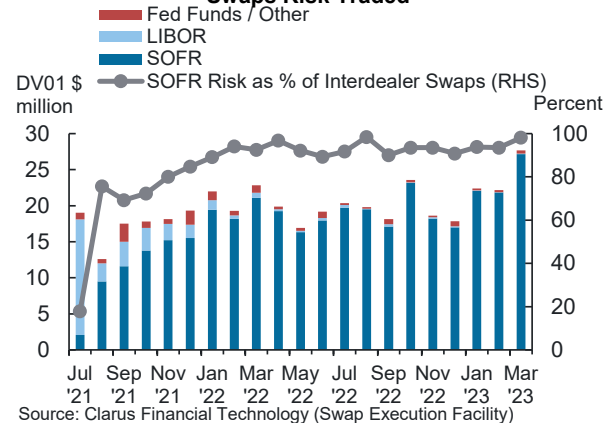


Figure 2: Daily Average Total Outright Swaps Risk Traded

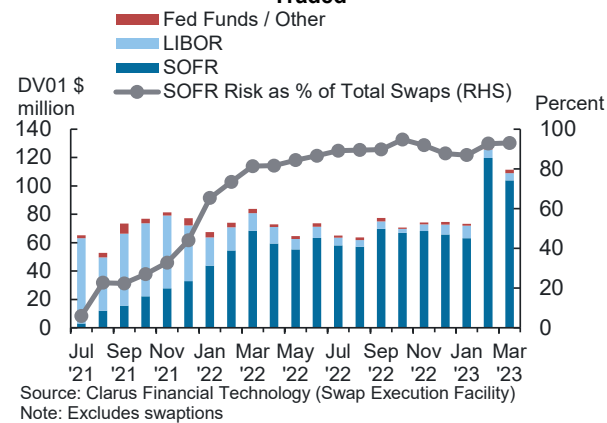


Figure 3: SOFR Linear Swaps Open Interest

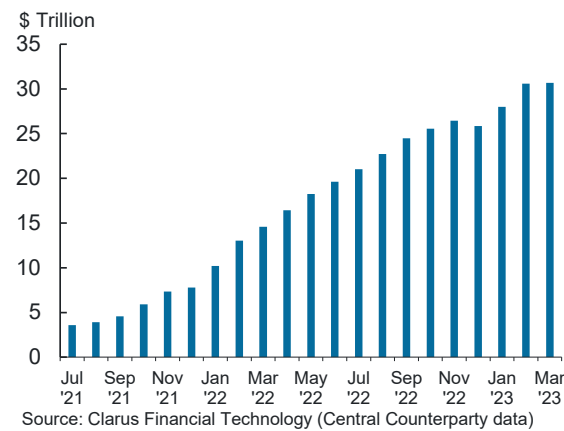
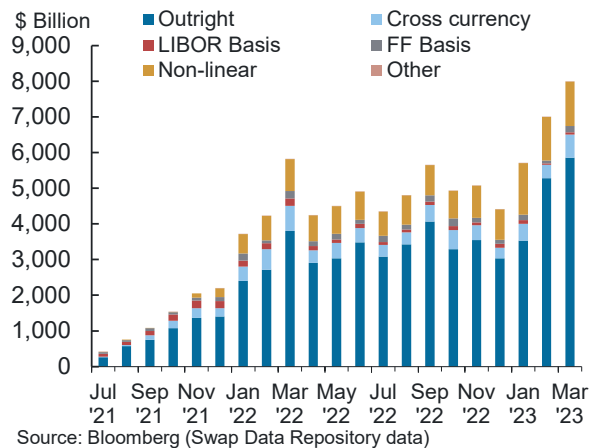
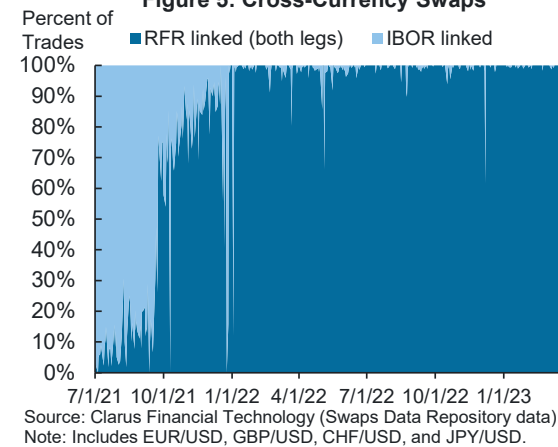


Figure 4: Monthly SOFR OTC Derivatives Volumes



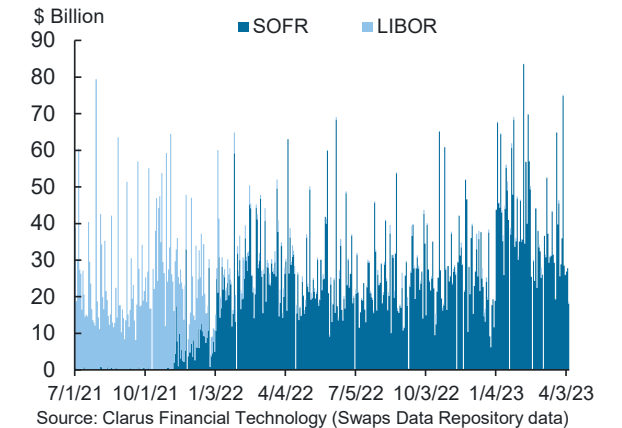
Cross-Currency Swaps

Figure 5: Cross-Currency Swaps



Non-Linear Derivatives

Figure 6: Swaption Volumes



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Exchange-Traded Derivatives

Figure 7: Average Daily Notional SOFR Futures Volumes

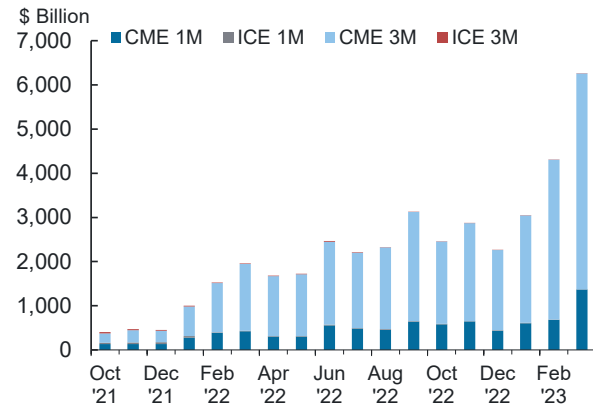
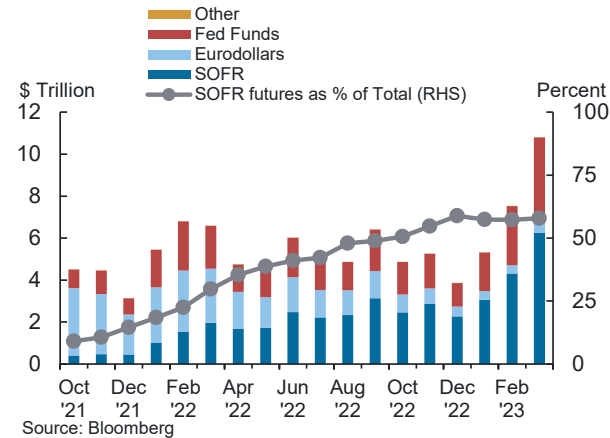


Figure 8: STIR Futures Average Daily Volumes



Cash Products

Figure 9: FRN Issuance by Reference Rate

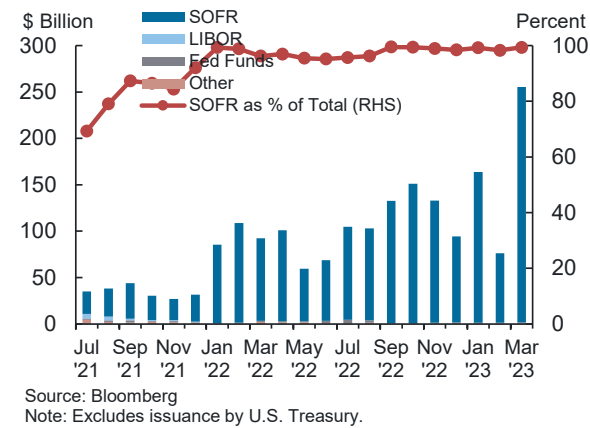


Figure 10: SOFR FRN Issuance by Issuer Type

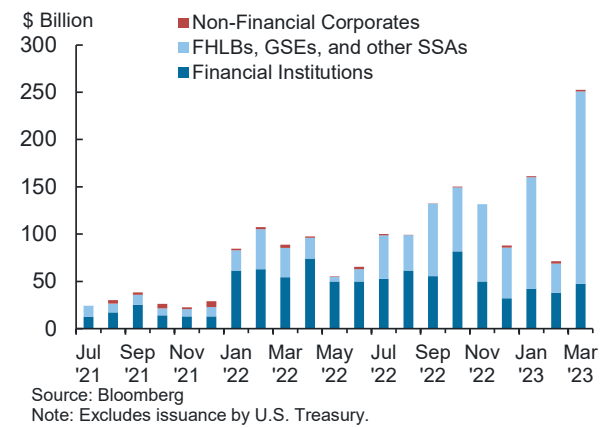


Figure 11: Syndicated Lending

