

July 26, 2021

Update on Upcoming Formal Recommendation of Term SOFR

Latest Status of Formal Recommendation, Following Today's Convention Switch of USD Linear Swap Trading from USD LIBOR to SOFR

The Alternative Reference Rates Committee (ARRC) welcomes today's [convention switch](#) recommending inter-dealer brokers change U.S. dollar (USD) linear swap trading from USD LIBOR to the Secured Overnight Financing Rate (SOFR).

The Commodity Futures Trading Commission's (CFTC) Market Risk Advisory Committee (MRAC) [recommended](#) the convention switch as market best practice, to accelerate progress in the transition away from LIBOR. The ARRC has said it expects its [market indicators](#) for a SOFR term rate to be met upon this convention change, allowing the ARRC to formally recommend the CME SOFR Term Rates very shortly thereafter.

Now that the first business day is complete, ARRC Chairman and Vice Chairman of Institutional Securities at Morgan Stanley Tom Wipf said:

"Today's convention switch is off to a great start, with brokers and dealers strongly engaged in the work."

"In our initial outreach to inter-dealer brokers today, the ARRC is hearing that the forward-looking projection for SOFR activity appears to be positive. This should provide strong momentum for the ARRC to recommend the CME SOFR Term Rates."

"If signs continue to trend as they currently are progressing, we expect to formally recommend the CME SOFR Term Rates very soon. Remember: we're just five months away from no new LIBOR, so I urge everyone to take action immediately to transition to SOFR."

About the ARRC

The ARRC is a group of private-market participants convened by the Federal Reserve Board and Federal Reserve Bank of New York in cooperation with the Commodity Futures Trading Commission, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the National Association of Insurance Commissioners, the New York Department of Financial Services, the Office of Financial Research, the Office of the Comptroller of the Currency, the U.S. Department of Housing and Urban Development, the U.S. Securities and Exchange Commission, and the U.S. Treasury Department. It was initially convened in 2014 to identify risk-free alternative reference rates for USD LIBOR, identify best practices for contract robustness, and create an implementation plan with metrics of success and a timeline to support an orderly adoption. The ARRC accomplished its first set of objectives and identified the SOFR as the rate that represents best practice for use in certain new USD derivatives and other financial contracts. It also published its [Paced](#)

ALTERNATIVE REFERENCE RATES COMMITTEE

[Transition Plan](#), with specific steps and timelines designed to encourage adoption of the SOFR. The ARRC was reconstituted in 2018 with an expanded membership to help to ensure the successful implementation of the Paced Transition Plan, address the increased risk that LIBOR may not exist beyond 2021, and serve as a forum to coordinate and track planning across cash and derivatives products and market participants currently using USD LIBOR.

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

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