

Alternative Reference Rates Committee

May 25 Meeting Readout

This document contains highlights from the [Alternative Reference Rates Committee \(ARRC\) meeting on May 25, 2023](#). The complete meeting agenda can be found [here](#). Full minutes for this meeting will be [posted](#) in the coming weeks.

Topics discussed included momentum towards SOFR, transition-related progress and issues, and use of DTCC's LIBOR Communication Tool.

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ARRC members noted continued progress in the transition from LIBOR to SOFR. In the most recent sentiment survey of ARRC members, respondents continued to characterize the LIBOR transition overall as progressing smoothly or generally smoothly in 2023. Some respondents noted the need for efforts to remediate syndicated loans to accelerate. 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.
- As reported by Clarus, following CME Group's conversion of LIBOR futures, SOFR reached an all-time high share of total USD derivatives DV01 risk traded in April.

LCH gave an update on their successful conversions of USD LIBOR swaps on April 22 and May 20. Further details of the conditions and for the intra-day conversion process applicable after the conversion second event on May 20 are available to LCH customers in "Operational Considerations" materials available at [LCH's Knowledge Centre](#).

ARRC members discussed the state of preparation for June 30 and noted that, while market participants are largely prepared, it was important that they:

- Continue to communicate rate changes for securities with CUSIPs using DTCC's LIBOR Replacement Index Communication Tool.
- Continue to remediate LIBOR loans and ensure that borrowers and lenders are actively and cooperatively involved in doing so.
- Be sure they understand their fallbacks, particularly for end users with both derivative positions (which will fall back to compound overnight SOFR under the ISDA protocol or, if governed by US law, under the LIBOR Act) and cash product positions (which will fall back to CME Term SOFR or averages of SOFR set in advance in most cases), and any steps needed to adapt them as well as any time limits on regulatory relief for amending derivatives.
- Understand fallbacks for contracts referencing ICE USD LIBOR Swap Rates, which are not covered by the LIBOR Act and may be forced to rely on dealer polling.

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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. DTCC offers a centralized LIBOR transition site that houses documents on how to use the new tool, FAQ's and additional LIBOR transition background information.

- On 5/24 the ARRC hosted a webinar titled "[Using the DTCC LIBOR Replacement Index Communication Tool to Support the Transition Away from USD LIBOR](#)". The purpose of this webinar was to encourage additional use of this tool. A recording of the webinar can be found [here](#) and presentation slides [here](#).
- Webinar participants noted the importance for all issuers, agents, trustees, or other submitting persons to use the Communication Tool so that investors can be informed of the rate changes that will occur in LIBOR securities.
- As of May 22, there have been more than 90k notifications received from a combination of issuers, calculation agents, and trustees.
- Market Data Providers are actively pulling information from the Communication Tool to update their pricing information.
- It was estimated that information on roughly 2/3 of outstanding CUSIPs have been entered in the Communication Tool, but that a remaining 1/3 of CUSIPs still needed to have rate-change information entered.

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.

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May 25 Meeting Readout: Figures

Linear Swaps

Figure 1: Daily Average Interdealer Outright Linear **Figure 2: Daily Average Total Outright Swaps Risk**

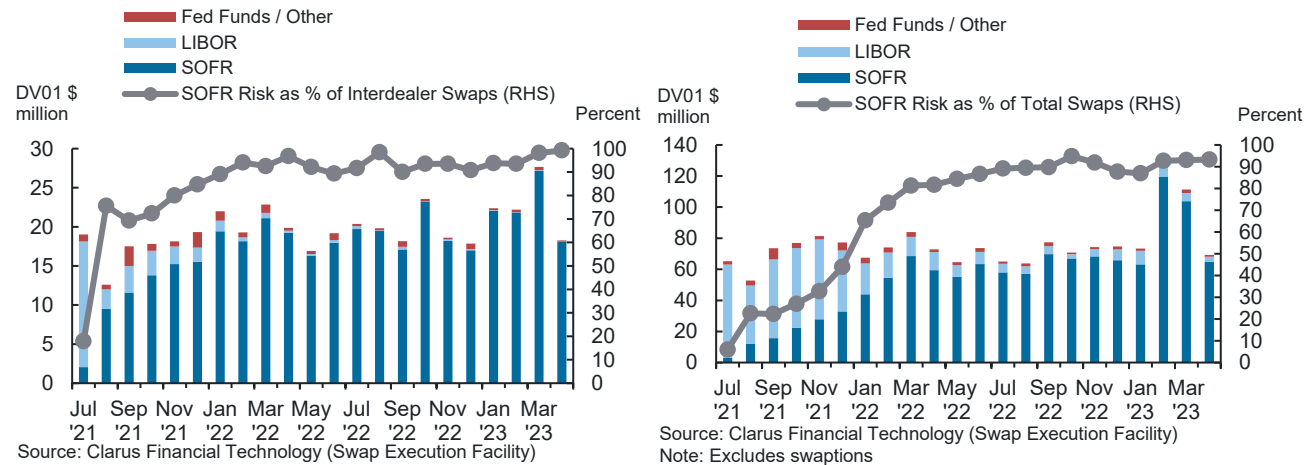


Figure 3: SOFR Linear Swaps Open Interest

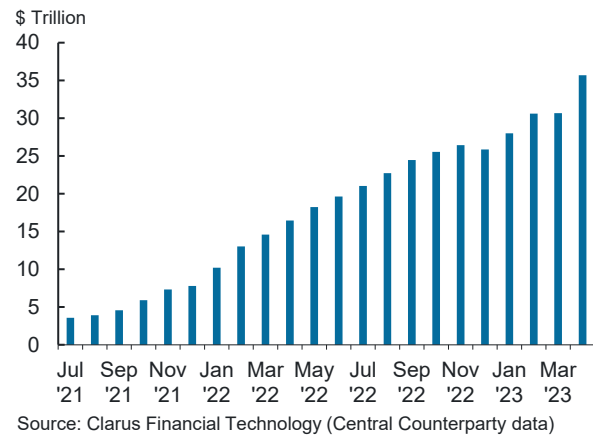
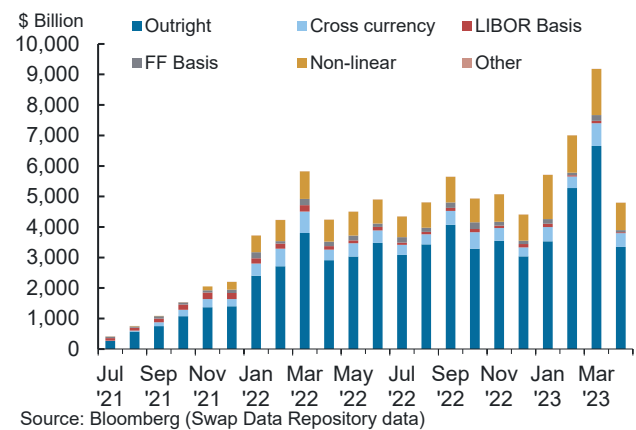
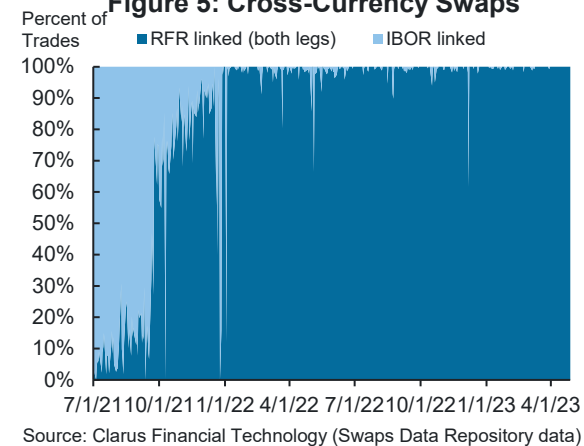


Figure 4: Monthly SOFR OTC Derivatives Volumes



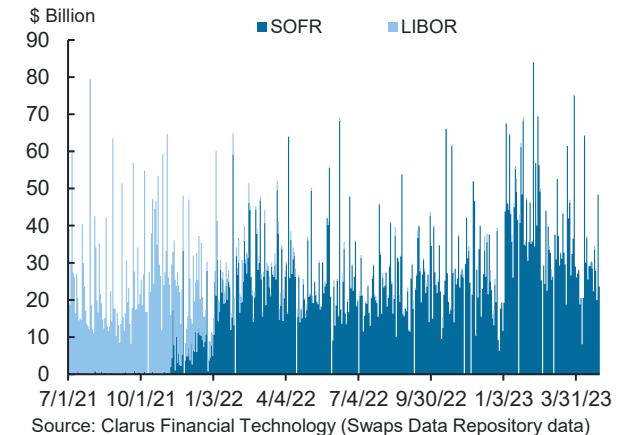
Cross-Currency Swaps

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

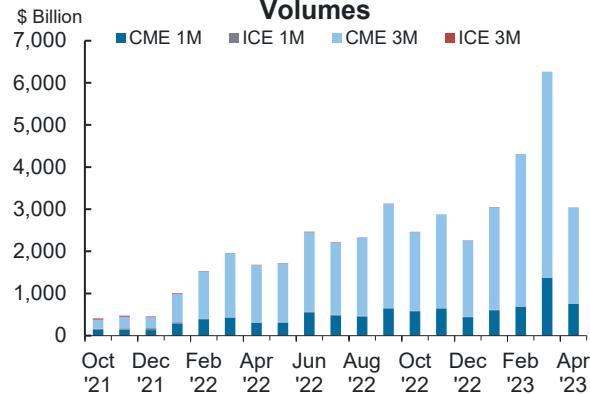
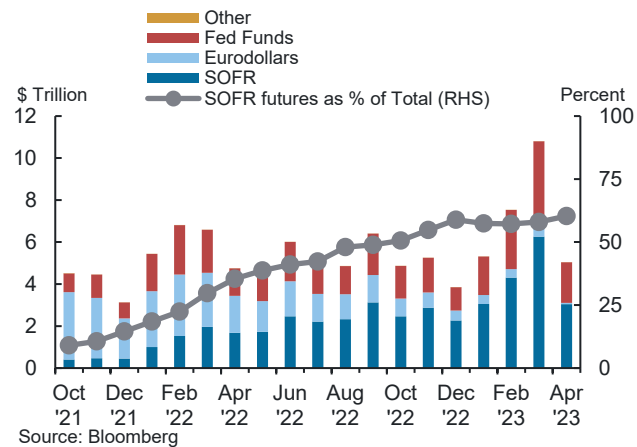


Figure 8: STIR Futures Average Daily



Cash Products

Figure 9: FRN Issuance by Reference Rate

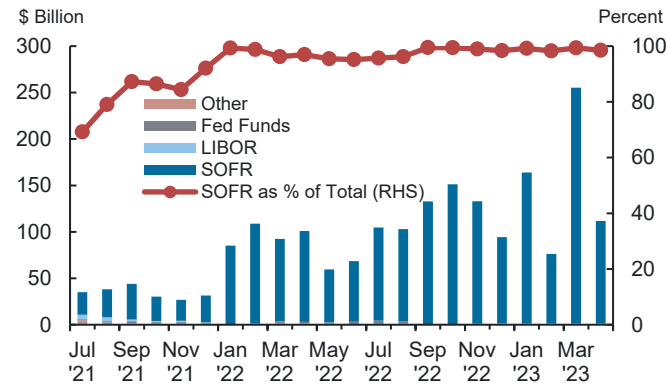


Figure 10: SOFR FRN Issuance by Issuer Type



Figure 11: Syndicated Lending

