

Opening Remarks

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The ARRC's Paced Transition Plan for Developing SOFR Markets is Ahead of Schedule

	Step	Anticipated Date of Completion	Actual Date
1.	Infrastructure for futures and/or OIS trading in the new rate is put in place by ARRC members	2018 H2	✓ ARRC members already trading futures and OIS
2.	Trading begins in futures and/or bilateral, uncleared, OIS that reference SOFR.	by end 2018	✓ CME began SOFR Futures on May 7, 2018 ; ICE to launch on October 22, 2018
3.	Trading begins in cleared OIS that reference SOFR in the current (EFFR) PAI and discounting environment	2019 Q1	✓ LCH offered SOFR OIS and basis swap clearing on July 18, 2018 ; CME began clearing OTC SOFR swaps on October 1, 2018
4.	CCPs begin allowing market participants a choice between clearing new or modified swap contracts (swaps paying floating legs benchmarked to EFFR, LIBOR, and SOFR) into the current PAI/discounting environment or one that uses SOFR for PAI and discounting.	2020 Q1	✓ CME began clearing swaps using SOFR PAI/discounting on October 1, 2018
5.	CCPs no longer accept new swap contracts for clearing with EFFR as PAI and discounting except for the purpose of closing out or reducing outstanding risk in legacy contracts that use EFFR as PAI and discount rate. Existing contracts using EFFR as PAI and the discount rate continue to exist in the same pool, but would roll off over time as they mature or are closed out.	2021 Q2	LCH and CME expect to move SOFR PAI/discounting on both new and legacy swaps during the second half of <u>2020</u>
6.	Creation of a term reference rate based on SOFR-derivatives markets once liquidity has developed sufficiently to produce a robust rate.	by end of 2021	---

Alternative Reference Rates Committee

2019 Incremental Objectives

The Alternative Reference Rates Committee (ARRC) continues to support and prepare market participants for the transition to alternative reference rates. These objectives are complementary to the previously outlined [Paced Transition Plan](#).

ARRC 2.0 Objectives	2019 Priorities / Milestones	Date
 Build market liquidity and drive demand for SOFR	<ul style="list-style-type: none"> FRB staff to publish indicative compounded SOFR and forward-looking SOFR term rates with transparent calculation methodology 	2Q19 ✓
	<ul style="list-style-type: none"> ARRC to launch Infrastructure and Operations Working Group and host vendor workshop 	2Q19 ✓
	<ul style="list-style-type: none"> Continue to grow market liquidity and build SOFR-linked instruments: <ul style="list-style-type: none"> Encourage launch of SOFR-linked loans and securitizations Monitor and encourage issuance of SOFR-linked FRNs Further develop liquidity in SOFR-linked derivatives 	Ongoing YE19 Ongoing Ongoing
	<ul style="list-style-type: none"> ARRC to issue final recommended fallback contract language for new issuances of FRNs, syndicated loans, bilateral loans, securitizations and encourage market participants to utilize this language ARRC to assess fallback spread adjustment methodologies for appropriateness in use for cash products 	2Q19 ✓ 2H19
 Create and implement robust fallbacks	<ul style="list-style-type: none"> ISDA to finalize definitions amendments to include fallbacks in new derivative contracts and to offer protocol to allow inclusion of amended definitions in legacy derivatives contracts 	YE19
	<ul style="list-style-type: none"> ARRC to continue identifying needed regulatory relief and tax/accounting requirements to promote uptake of ISDA protocol and eliminate hurdles to a smooth transition 	Ongoing
	<ul style="list-style-type: none"> ARRC to explore potential options for seeking legislative relief from New York State legislature for legacy products 	Ongoing
	<ul style="list-style-type: none"> ARRC launched a Consumer Products Working Group, including CFPB, to ensure fair and transparent process including input and feedback from consumer groups, lenders, and investors in finding models of SOFR that will work for all key parties and preparing fallback processes and communications ARRC to consult on consumer product fallbacks and describe applications and uses of SOFR in consumer products 	1Q19 ✓ 2Q19
 Education and outreach to receive public feedback and ensure market readiness	<ul style="list-style-type: none"> ARRC to continue ongoing targeted engagement through trade associations, industry conferences, and media with policymakers to ensure participants understand LIBOR will cease to exist and to coordinate transition ARRC to continue to issue best practices, FAQs, consultations for public input ARRC to publish bi-monthly newsletter to promote transparency and awareness of developments 	Ongoing
	<ul style="list-style-type: none"> ARRC to continue regular communication with other NWGs and cross-currency work streams to share best practices, identify risks created by differences in rate selection and implementation timing 	Ongoing
	<ul style="list-style-type: none"> NWGs to provide update on implementation progress and plans 	2H19
 Coordinate across national working groups	<ul style="list-style-type: none"> ARRC to continue regular communication with other NWGs and cross-currency work streams to share best practices, identify risks created by differences in rate selection and implementation timing NWGs to provide update on implementation progress and plans 	Ongoing 2H19