

CME Term SOFR Reference Rates

NOW AVAILABLE FOR LICENSING

CME Term SOFR Reference Rates are Benchmarks Regulation (BMR) compliant, aligned to IOSCO principles, and [endorsed](#) by the Alternative Reference Rates Committee (ARRC).

Calculated and published daily in 1-month, 3-month, 6-month and 12-month tenors, CME Term SOFR benchmarks are based on CME Group's deep and liquid underlying SOFR futures, making them a robust and sustainable measure of forward-looking SOFR rates.

Web links to key resources:

- [CME Term SOFR Homepage](#)
- [IOSCO Compliance Statement](#)
- [BMR Benchmark Statement](#)
- [Benchmark Methodology](#)
- [Term SOFR Oversight Committee](#)
- [ARRC Selects CME Group as SOFR Term Rate Administrator](#)
- [ARRC Formally Recommends Term SOFR](#)

Key details

- CME Term SOFR selected by the ARRC on May 21, and formally endorsed by the ARRC on July 29.
- BMR and IOSCO compliant.
- Available for licensing in cash market financial products and derivatives that hedge cash instruments linked to the Term Rates, and certain securitizations with underlying assets that are themselves tied to SOFR Term Rates.
- Licensing for cash market financial products will be available at no cost through December 2026.
- Licensing for permissible derivatives based on FRAND principles, with a market standard pricing schedule.
- Benchmark calculations are supported by \$218 billion notional in daily SOFR futures volumes transacted on CME Group's regulated electronic marketplace (data as of H1 2021).
- SOFR futures volumes have exhibited strong growth, averaging a record 118K contracts per day in Q2 2021, up 200% year over year.
- Administered by CME Group Benchmark Administration Limited (CBA).

Key features

- Provides a robust measure of forward-looking SOFR rates, based on market expectations implied from derivatives markets.
- Can be produced in all market conditions including periods of heightened market volatility or negative interest rates.
- Resistant to manipulation and anchored in bona fide, arms-length transactions and executable quotes.
- The integrity of the shape of the yield curve is maintained throughout the calculation process while using all possible transaction data.

Questions and answers:

GENERAL

1. What is CME Term SOFR?

The CME Term SOFR Reference Rates benchmark is a daily set of forward-looking interest rate estimates, calculated and published for 1-month, 3-month, 6-month and 12-month tenors.

2. What input data is used in the calculation of CME Term SOFR Reference Rates?

Currently, we use transaction data from thirteen consecutive SR1 futures (1-month CME SOFR futures contracts) and five SR3 futures (3-month CME SOFR futures contracts). The 3-month, 6-month and 12-month tenors are underpinned by SR3 contracts with additional volumes from SR1 helping where available, as SR3 are the replacement contracts for Eurodollar futures.

3. How are CME Term SOFR Reference Rates calculated?

A set of Volume Weighted Average Prices (VWAP) are calculated using transaction prices observed during several observation intervals throughout the trading day. These are then used in a projection model to determine CME Term SOFR Reference Rates. Full details of the calculation methodology are available on the [CBA webpages](#).

4. When are CME Term SOFR Rates published?

CME Term SOFR Reference Rates will be calculated for each day the New York Federal Reserve calculates and publishes SOFR. Publication will occur at 5:00 am CT.

5. How can I access the CME Term SOFR data?

CME Term SOFR Reference Rates are published on the [CBA webpages](#) each day along with the tickers that can be used to access the rates via other services. In addition, the benchmark is available to license via CME DataMine, CME's Market Data Platform (MDP) channel 261, and data redistribution partners.

6. Will a 12-month tenor be available?

We are pleased to confirm that a 12-month tenor was launched on September 21, 2021 and is now published alongside the existing 1-month, 3-month, and 6-month tenors. Historical data for the new 12-month tenor will accumulate from this date.

Our published Methodology on the CBA webpage has been updated to reflect this development.

7. Are CME Term SOFR Reference Rates supported by the Alternative Reference Rate Committee (ARRC)?

Yes, the ARRC [formally announced](#) its endorsement of CME Term SOFR Reference Rates on July 29, 2021.

PERMISSIBLE USE AND LICENSING

8. Do I require a License to access and/or use CME Term SOFR Reference Rates?

- A Use License must be obtained directly with CME Group under the Information License Agreement (ILA), by any institution that uses CME Term SOFR Reference Rates as a data input or reference in valuation, pricing, transactional or benchmarking activities, including those categories of use specified in FAQ 9.
 - For the avoidance of doubt, merely because you access and view CME Term SOFR Reference Rates on a Bloomberg or Eikon terminal does not also grant the rights to use CME Term SOFR in a Cash Market Financial Product or OTC Derivative Product – a separate Use License direct with CME is required for such use.
 - An end user does not need a Use License for CME Term SOFR simply to enter into a transaction, however if the end user wishes to use Term SOFR in a system for purposes of valuation, analysis risk/collateral management, among other things, a license would be required.
- Use of CME Term SOFR in a Display Device for internal business purposes may be licensed directly with CME Group or an authorized distributor/vendor, by means of a standard internal use subscriber agreement.
- Non-Display use of CME Term SOFR must be licensed directly with CME Group.
- A Distribution License is required for any party that distributes CME Term SOFR Reference Rates to third parties
- A license is further required for any party wishing to access historical CME Term SOFR Reference Rates data via CME DataMine
Please contact CME Group Data Sales to discuss and arrange appropriate data licensing.

9. How may CME Term SOFR be used today?

Currently CME Term SOFR Reference Rates are available to license directly under two specific Use Licenses:

i. Category 1 – Use in Cash Market Financial Products:

Use of CME Term SOFR Reference Rates:

- a. as a reference in Cash Market Financial Products (e.g. loans, mortgages, notes, money market instruments);
- b. as a primary reference rate or fallback reference rate in Cash Market Financial Products, including in connection with interest amount, default rate and close-out calculations;
- c. with respect to such Cash Market Financial Products, in valuation and pricing activities, including, but not limited to, collateral calculations, interest rate calculations, the creation of pricing, discount and forward curves;

- d. with respect to such Cash Market Financial Products, in communications and disclosures to third parties in connection with performance measurement, benchmarking, strategy outcome measurements and money market and other return calculations; and
- e. for purposes of converting or transitioning Cash Market Financial Products referencing, directly or indirectly, an IBOR to another rate as a conversion factor or price adjustment.

ii. Category 2 – Use in OTC Derivative Products:

Use of CME Term SOFR Reference Rates only as a reference in an OTC Derivative Product (e.g. structured products, swaps, security-based swaps, forwards, portfolios, warrants, options, and repos and other similar derivative instruments) that is tied or linked to a licensee and End User hedging against exposure from one or more Cash Market Financial Products that references the same CME Term SOFR Reference Rate.

10. What constitutes an End-User under CME Term SOFR Licensing?

An End User is an individual or entity that is a counterparty or guarantor to the applicable Cash Market Financial Product or OTC Derivative Product with the Licensee of CME Term SOFR. We recognize that some lending institutions are not structured to make markets or warehouse the risk of offering derivatives products to end users but may wish to enter into a Term SOFR swap, cap, swaption, or similar derivative as part of their services to help a borrower hedge a Term SOFR business loan. In this instance, provided that the institution does not make two-way prices in interest rate derivatives and is not a market maker in the interdealer market, we consider that the use of offsetting derivatives matching the derivatives exposure that the institution has offered to its borrowers would fall under the Category 2 use of CME Term SOFR.

11. What OTC Derivative Products may reference CME Term SOFR under a license?

CME Term SOFR Reference Rates may only be used as a reference in an OTC Derivative Product that is tied or linked to Licensee and End User hedging against exposure from one or more Cash Market Financial Products that references the same CME Term SOFR Reference Rates. For the avoidance of doubt, CME Term SOFR Reference Rates may not be licensed for use in any other financial product that is listed on an exchange, trading facility, or other trading venue in the creation of any derived work.

12. Why is use of CME Term SOFR in derivatives required to be “linked or tied to” Cash Market Financial Products?

As stated in [CME Group’s announcement](#) of its CME Term SOFR Reference Rates benchmark, the use of CME Term SOFR in derivatives should be limited to avoid overly detracting from volumes in the underlying SOFR-linked derivatives that are relied upon to construct CME Term SOFR rates. Our policy is aimed toward this objective. Further, users should make their own choices for alignment with additional detail in industry guidance such as the [Best Practices Recommendations Related to Scope of Use of the Term Rate](#).

13. Will I need more than one license if I am engaged in multiple applications or uses of CME Term SOFR Reference Rates?

Clients may require more than one type of license to fully cover their needs. For example, a client that requires use of CME Term SOFR in a loan (Category 1) and also desires to use CME Term SOFR as a reference in a swap tied or linked to the client and End User for hedging against exposure from the same loan that references CME Term SOFR (Category 2), both a Category 1 and Category 2 license is required.

14. Do all participants in a loan need to retain a license for use of CME Term SOFR?

Any and all participants, whether a single lender or multiple (e.g. loan syndication) that are party to a loan on the lender side of a transaction require a Category 1 Use License to use CME Term SOFR as an input or reference to a loan.

However, an End User as defined does not require a Use License by merely being the borrower or counterparty to a loan transaction. It should be noted, other activities to manage investment portfolios with assets priced to CME Term SOFR may require additional licenses.

We encourage loan participants to engage with CME Group Data Sales to help determine if a use license is required and if so, which type best fits their needs.

15. Is a license required if I access CME Term SOFR Reference Rates on the CME Group website?

Access to CME Term SOFR Reference Rates on the CME Group website is governed by the Data Terms of Use. A separate license agreement is not required. Access via the CME Group website is limited to “view only” use. Any use of CME Term SOFR beyond “view only” is strictly prohibited in accordance with CME Group’s [Data Terms of Use](#).

Distribution of CME Term SOFR on any other public website is not yet permitted, however we do permit distribution on a private website that requires a user to enter their credentials and where the website owner has obtained the appropriate distribution license from CME Group.

16. How can I access historical CME Term SOFR data for review or testing?

CME Term SOFR historical data is available for licensing via CME Group’s [DataMine](#) platform. The historical data can also be accessed on vendor-controlled platforms on a “view only” basis, providing that the vendor has entered into an appropriate redistribution license with CME Group. Any further display or redistribution of historical data is not yet permissible.

17. What are the fees for licensing CME Term SOFR Reference Rates?

Please see CME Group’s standard fee schedule [here](#).

Please contact [CME Group Data Sales](#) to discuss what Use License is most appropriate for you. Please contact CME Group Data Sales to discuss your needs and objectives.

18. What are my reporting obligations for use of CME Term SOFR with respect to a Use License?

Reporting requirements for use of CME Term SOFR vary according to each license type. For example, consistent with CME and other administrators’ policies for benchmarks under BMR, a licensee is required to report the total notional outstanding value in USD for all products that reference any element of CME Term SOFR on an annual basis, including Cash Market Financial Products and/or OTC Derivatives.

Reporting requirements are set out in section 2.3 and Appendix A of Schedule 7.

19. What are my reporting obligations for CME Term SOFR as a licensed data distributor?

Licensed distributors must report all Non-Display distribution on an “As Needed” basis, which we define as monthly reporting of added or removed applications that use CME Term SOFR, reported to CME during the month they were added or removed. This process is managed through CME’s Data Services Portal.

Real Time Subscriber Display Device reporting is currently not required, until further notice.

Reporting requirements are set forth in section 1.2 of Schedule 5 for each Distribution Package.

20. What personal data does CME require a licensee to provide?

We require your firm’s contact details, including name, email and phone number as displayed in Schedule 1 of the Information Licensing Agreement (ILA). As mentioned in the previous question, licensed data distributors are not currently required to report any data relating to users accessing CME Term SOFR on a display device.

21. How does the Use License of CME Term SOFR relate to ARRC's Best Practices?

We recommend all users of CME Term SOFR observe the [ARCC's Best Practices Recommendations Related to Scope of Use of the Term Rate](#), nonetheless CME determines its own licensing policies. The licensing of rights to use CME Term SOFR is a commercial agreement between CME and a licensee with standard terms and conditions that apply equally to all clients.

22. Is a license required to use CME Term SOFR in an application, machine, algorithm or any non-viewable solution?

Yes, CME Term SOFR may be used in non-viewable systems, processes, programs, machines, applications or calculations under a Non-Display License directly with CME, for internal business purposes only.

23. Is a license required to view CME Term SOFR on a screen or display device? If so, how should I acquire that license?

Yes, a license is required to view CME Term SOFR on a display device. Licenses are made available to you through your authorized vendor and are limited to view only use.

REGULATORY STATUS AND TRADE ASSOCIATION GUIDANCE

24. Are CME Term SOFR Reference Rates available for use under Benchmark Regulation (BMR)?

CME Term SOFR Reference Rates are a family of benchmarks registered under BMR and available for use by EU/UK supervised entities. Under the Brexit transition arrangement, all UK BMR regulated benchmarks are eligible for use in the EU as Third Country transitional benchmarks, without EU registration. A Benchmark Regulatory Statement is available on the [CBA webpages](#).

25. What happens when the Third Country transition period ends in Dec 2023?

At the end of the transition period, use of a benchmark in the EU will require that benchmark to be registered in the EU, either as a Third Country benchmark, an EU benchmark or through equivalence. There is also an option for the EU to extend the transition period by a further 2 years until the end of 2025. CME Group is committed to ensuring that CME Term SOFR continues to be available for use as a benchmark in the EU post-transition.

26. Are CME Term SOFR Reference Rates IOSCO compliant?

CME Term SOFR Reference Rates have been designed to meet industry best practices and the IOSCO Principles for Financial Benchmarks. A statement of IOSCO compliance is available on the CBA webpages [here](#).

27. Who is the Benchmark Administrator for CME Term SOFR?

CME Group Benchmark Administration Limited (CBA) is the Administrator of CME Term SOFR Reference Rates. CBA is a registered Benchmark Administrator, regulated by the UK Financial Conduct Authority (FCA).

28. What is the role of the Term SOFR Oversight Committee?

The Oversight Committee is a requirement for both IOSCO and BMR standards. The Committee provides independent oversight of, and challenge to the administrator on all aspects of the determination process. The Oversight Committee approves proposed changes to the Calculation Methodology including, but not limited to, the structure of the benchmark, input data used and all aspects of the Calculation Methodology. Details of the Committee, its members and meeting minutes can be found on the [CBA webpages](#).

29. Is CME Term SOFR an available Floating Rate option in the ISDA Definitions?

Yes, ISDA recently added a new Supplement 84, dated Sept 8th, 2021, to their 2006 ISDA Definitions document to specifically support use of CME Term SOFR in OTC Derivatives. This update covers a variety of Rate Options definitions and guiding principles, for the purposes of determining a "Relevant Rate", including the use of CME Term SOFR upon a Reset Date.

Learn more at cmegroup.com/termsufr

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