

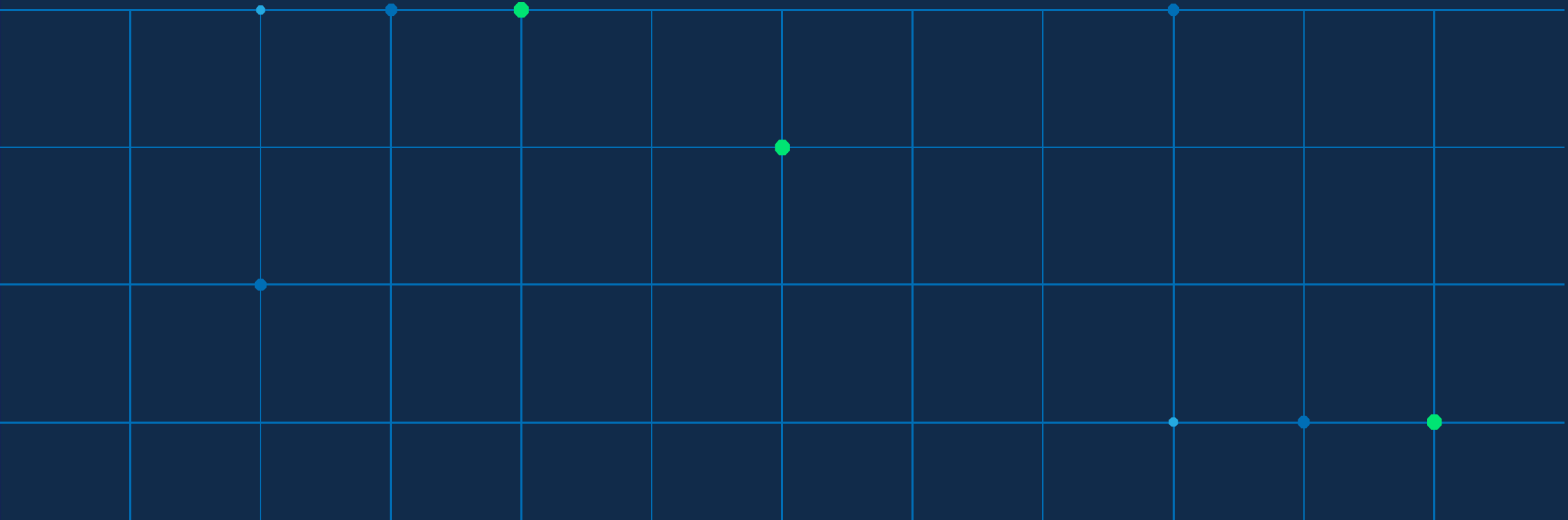


# Term SOFR Oversight Committee

Oversight Committee meeting minutes

CME Group Benchmark Administration Limited

March 18, 2021



## Attendees:

### Members:

Harriet Hunnable	Independent	Present
Robert Merton	Independent	Present
Karl Abdelnour	Citigroup	Not Present
Meredith Coffey	LSTA	Present
Sunil Cutinho	CME Group – CME Clearing	Present
Agha Mirza	CME Group – Interest Rate Products	Present
Owain Johnson (Chair)	CME Group – Research & Product Development	Present

### Observers & Guests:

Gavin Lee	CME Benchmark Administration	Observer
Vincenzo Albano	CME Benchmark Administration	Observer
Michelle Hallett	CME Group – Compliance	Observer

## Agenda

1. Introduction
2. Conflict of Interest declaration
3. Prior Meeting Minutes *For approval*
4. Benchmark Administrator Update *For discussion*
5. Benchmark Methodology *For approval*
  - a. Calculation intervals definition on “short” trading days
  - b. Validation checks time horizon review & approval
6. IOSCO and BMR Statement update *For discussion*
7. Legal & Compliance update *For discussion*
8. ARRC RFP Update – CME Term SOFR launch *For discussion*
9. Items for discussion at next Oversight Committee
10. Oversight Committee meetings calendar 2021

## **1. Introduction**

The meeting opened and the Chair reminded the members of the goal of the committee: to review the integrity of Term SOFR.

## **2. Conflict of Interest declaration**

The Chair reminded the members that the meeting is in accordance with best practices.

The Chair added that by joining the committee the members acknowledge the importance of the SOFR Benchmark and that members' actions are to be in the best interest of the benchmark and not of their employer.

The Chair asked attendees not to share sensitive/confidential information and to check with their own legal counsel in case of any uncertainty.

The Chair noted that minutes will be circulated after this meeting and asked the members not to circulate any information to third parties without the consent of the Administrator.

## **3. Prior Meeting Minutes**

The committee approved the Prior Meeting Minutes.

## **4. Benchmark Administrator Update**

The administrator explained the changes made to the methodology:

- To explain the treatment of observation periods for an early close. Early close dates will be included in a table.
- Improvement to the validation checks to include a 70 day lookback period in the SD calculation.

The Committee approved the changes to the methodology.

Term SOFR Management Information statistics were reviewed. It was noted that futures activity continues to grow with over \$240 billion in daily notional and \$1.5 trillion in Open Interest, demonstrating that Term SOFR is based on a liquid underlying market which results in a robust benchmark. OIS volumes will continue to be monitored with the intention to include these once the volumes are more significant. Currently the OIS daily notionals traded are around 5% of futures.

There were no incidents or issues to be reported to the Oversight Committee for the period under review.

## **5. IOSCO and BMR Statement update**

Addressed with the next agenda item.

## **6. ARRC RFP Update – CME Term SOFR launch**

The Administrator informed that CBA is in the process of preparing to take Term SOFR out of its prototype status and make it readily available from as early as 7th April under BMR. The Administrator added that there were no changes to the committee.

It was also mentioned that SOFR futures daily notional value increased from \$133 billion last year to \$234 billion in Q1 2021. One month Term SOFR so far this year is being supported by 74.4 billion of daily notional. Three month Term SOFR is being supported by \$126.5 billion of daily notional and six month Term SOFR is being supported by \$165 billion of daily notional. The numbers seem very robust, the variability in those numbers seems very limited. Stability is great, because SOFR futures are a young product launched in 2018 but which have a very healthy overall growth rate. It was added that Term SOFR calculated by CME is backed by more daily notional than RFR or SONIA, two benchmarks around which there is no controversy or issue.

## **7. Legal & Compliance update**

No updates from Compliance.

A discussion ensued on the regulation in the UK, Europe and the US. The Administrator pointed out that the IOSCO principles were to some degree a precursor to the benchmark regulations in the EU, which the UK has adopted.

CBA will publish both an IOSCO compliance statement and a BMR compliance statement.

## **8. Items for discussion at next Oversight Committee**

No questions or comments from the committee.

## **9. Oversight Committee meetings for 2021**

The meeting calendar for 2021 was presented to the committee.

