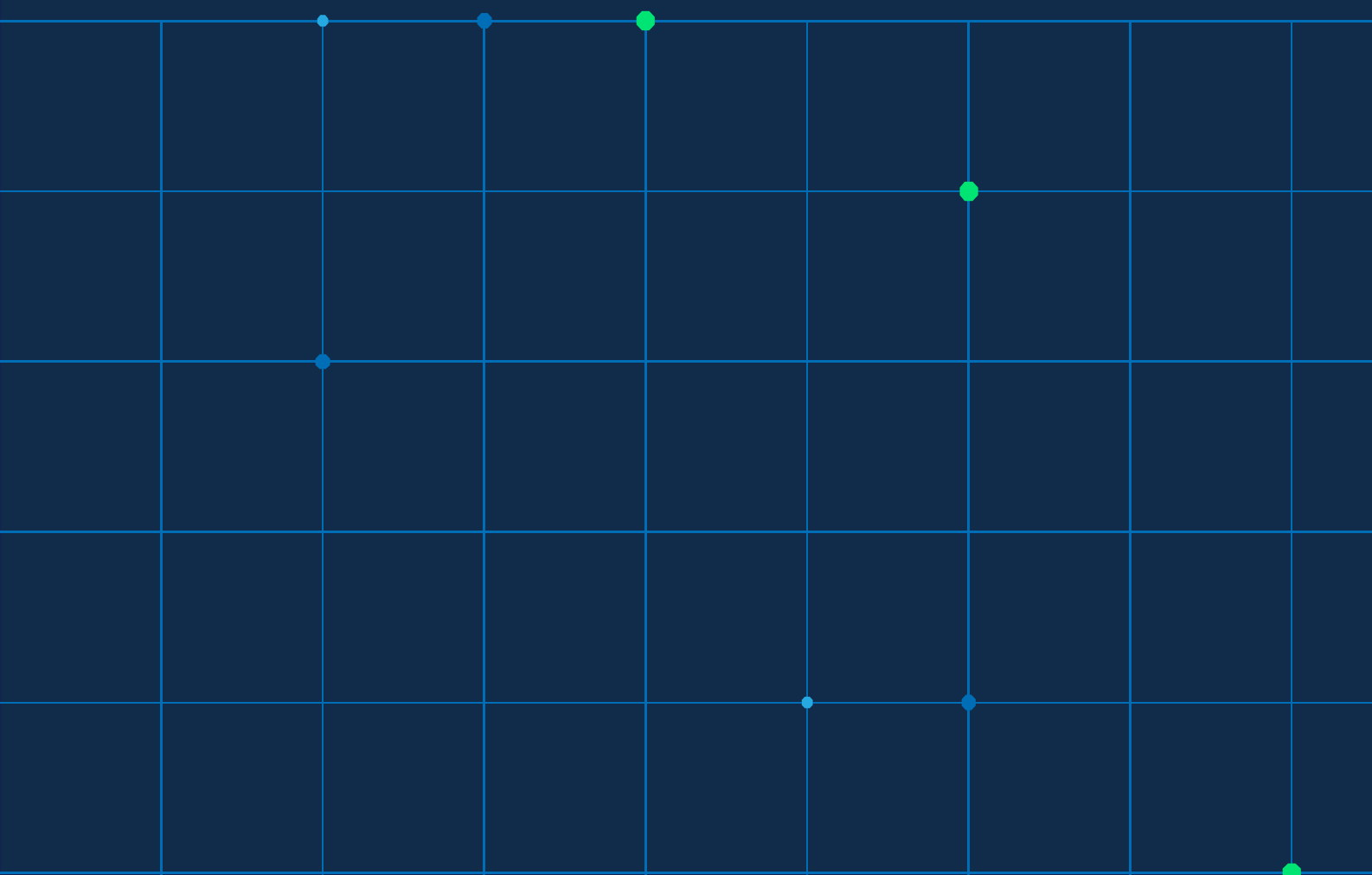


# Term SOFR Oversight Committee

Oversight Committee meeting minutes

CME Group Benchmark Administration Limited

March 28<sup>th</sup>, 2023



## Attendees:

### Members:

Harriet Hunnable (HH)	Independent	Present
Robert Merton (RM)	Independent	Present
Sam Priyadarshi (SP)	Independent	Present
Meredith Coffey (MC)	LSTA	Present
Udesh Jha (UJ)	CME Group – Post-Trade Services Risk Management	Present
Agha Mirza (AM)	CME Group – Interest Rate Products	Present
Owain Johnson (Chair) (OJ)	CME Group – Research & Product Development	Present

### Observers & Guests:

Gavin Lee (GL)	CME Benchmark Administration	Observer
Graham Stride (GS)	CME Benchmark Administration	Observer
Max Ruscher (MR)	CME Benchmark Administration	Observer

## Agenda

1. Introduction (OJ)
2. Conflict of Interest declaration (OJ)
3. Prior meeting minutes approval (OJ)
4. Benchmark Administrator Update (GL)
5. Term SOFR Methodology Review (MR)
6. Licensing update (GL)
7. Governance Update (MR)
8. Interest Rate Markets Update (AM)
9. Items for discussion at next Oversight Committee (OJ)

## 1. Introduction

The Chair reminded the Committee Members of the goal of the Committee: to review the integrity of Term SOFR which is administered by CBA (CME Group Benchmark Administration).

The Chair confirmed the meeting was quorate and highlighted that any decisions or voting will be according to a simple majority.

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

The Chair noted that there was a new member of the Term SOFR Oversight Committee in UJ and welcomed him to the committee. The member provided a short overview of his background and role in CME Group.

## 2. Conflict of Interest declaration

The Chair asked whether OC members had Conflict of Interest not already disclosed to the Administrator. None were declared.

## 3. Prior Meeting Minutes

The Chair asked the Committee to approve the Prior Meeting Minutes.

The Committee noted that a couple of updates were required to ensure the correct point of view was used throughout. The Committee approved the minutes pending the updates.

## 4. Benchmark Administrator Update

The Chair asked the Administrator to provide the Administrator update. The Administrator started by stating that it had been a very interesting quarter and due to the events in March 2023.

The Administrator explained the recent volatility in light of the SVB and Signature Bank collapses and Credit Suisse Buyout by UBS.

The Administrator went through the average futures volumes and open interest for Q1 2023. The Administrator noted the upcoming Eurodollar conversion later in April

The Administrator explained the distribution of trading across the 14 intervals and contracts. Committee members provided further comment on the coverage of SR3s vs SR1 contracts for the calculation.

The Administrator discussed the futures price monitoring commenting on the increase in market volatility and market events. Committee members asked about the bid/ask spreads and asked for further information on how these performed in the stressed period. The Administrator confirmed they would circulate details to the committee.

The Administrator took the Committee through the reliability checks, noting the impact of SVB and Signature Bank. The Administrator has compared the rates and inputs to other data sources during the stress period and the Term SOFR rates remained in line with the Administrator's expectations.

The Administrator discussed the use of Term SOFR in the loan and OTC derivatives market, talking through the usage year to date. Committee members discussed the volumes and ARRC guidance.

Committee members asked about monitoring of the rate against the volatility of the underlying market. The Administrator stated they would look into this.

## **5. Term SOFR Methodology Review**

The Administrator took the Committee through the updates to the methodology and the annual review process. Updates were made to sections 7 through 9 of the methodology and shared with the Committee prior to the meeting. Committee members asked for further clarity on one of the changes, which the Administrator stated it would provide. The other changes to the methodology were approved.

## **6. Licensing Update**

The Administrator provided a brief update on licensing status of Term SOFR.

## **7. Governance Update**

The Administrator provided an update on the FCA Market Data Study and ESG Dear CEO Letter. Committee members also discussed Synthetic LIBOR.

The Administrator gave an update on the progress of adding OIS data into the Term SOFR calculation.

## **8. Interest Rate Market Update**

The Chair handed over to a committee member to provide an update on the Interest Rate Market. The committee member started by providing an update from a macro perspective, discussing the FOMC interest rate policy. The committee member mentioned that the CVOL index has seen new highs in March 2023, far above the five and a half year lows seen in 2020 and 2021.

The committee member discussed trading in SOFR Futures and SOFR Options has proved significant with futures trading 33% above the full year Eurodollar average.

The committee member discussed the conversion from Eurodollars to SOFR futures occurring on the weekend of the 14<sup>th</sup> to 17<sup>th</sup> April. Committee members had further discussions on the conversions and LIBOR fallbacks.

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

The Chair noted the actions for the Administrator and closed the meeting.