

[Securities Regulation Daily Wrap Up, CFTC NEWS AND SPEECHES—CFTC Chairman Giancarlo tells fellow Financial Stability Board members he is encouraged by LIBOR reform progress, \(Apr. 11, 2019\)](#)

Securities Regulation Daily Wrap Up

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Speaking at an FSB roundtable event, the CFTC chief informed top U.S. and U.K. regulators that concerted efforts are still required to complete the move away from LIBOR to SOFR.

In a recent meeting of the Financial Services Board (FSB) roundtable discussion on interest rate benchmark reform, CFTC Chairman J. Christopher Giancarlo pointed to some favorable trends but [underscored the need for continued progress](#) in connection with moving away from LIBOR interest rate benchmarks. The chairman was joined by his counterparts from the Federal Reserve System, the U.K. Financial Conduct Authority, and the Bank of England.

Chairman's Giancarlo remarks focused on the emerging public-private partnership that has developed protocols for the move away from LIBOR to alternative risk-free, benchmark interest rates such as the Secured Overnight Financing Rate (SOFR). Some of the Chairman's key observations included the following:

- **Building the road from LIBOR to SOFR.** There is growing evidence that market participants are now focusing on "how do we adopt SOFR" compared to earlier complaints of "why are we moving away from LIBOR." The chairman described this development as "critical progress," especially given the high likelihood that LIBOR will no longer be available after 2021 for use as a reference benchmark for the global markets.
- **SOFR-futures are a clear success.** Within the past year, the CME and ICE futures markets launched SOFR-futures contracts. So far in 2019, average daily volume is over 100,000 contracts, which the chairman described as "a roaring success for a brand new index."
- **Excellent prospects for future liquidity.** There is a consensus that SOFR swaps markets will develop given the growth in SOFR futures. Within the next 12 months, Chairman Giancarlo expects that SOFR futures and swaps, as well as related debt markets, will reach critical levels of liquidity.
- **Progress on legal and operational fronts.** The Alternative Reference Rates Committee (ARRC), a group of private-market participants convened by the Federal Reserve Board and the New York Fed, has identified major legal and operational steps necessary to accomplish the transition LIBOR to SOFR-based rates in connection with derivatives, loan products, mortgages, retail loans and other financial products.
- **Updates to ISDA documentation.** ISDA has made significant progress on developing new fallback language and triggers in its documentation for OTC derivatives. The chairman encourages that all market relevant participants participate in the protocols to adopt new language.
- **Regulators stand ready to facilitate the transition.** Regulators, collectively, stand ready to provide guidance, relief, and other support required to facilitate a smooth transition from LIBOR to alternative benchmark interest rates. Giancarlo added that regulators remain "open to suggestions on regulatory tools to incentivize transition to SOFR-based benchmarks."
- **CFTC focus on benchmark rate transition.** The chairman highlighted the work of [the Benchmark Reform Subcommittee of the CFTC's Market Risk Advisory Committee \(MRAC\)](#), sponsored by Commissioner Russ Behnam. This group has also explored the legal and regulatory issues in connection of benchmark reform.

Chairman Giancarlo concluded his remarks by noting that completing the move away from LIBOR to SOFR will require hard work from market constituents. He stated, "At the end of the day, markets exist to serve the need of end users—American families, corporates, municipalities and others. These users are exposed to the greatest risk if we do not fix this market vulnerability – reliance on an index which has clearly outlived its economic relevance as a benchmark." He continued, "The authorities represented in this roundtable and the market institutions assembled today remain committed to this effort. Together, we can get this done."

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