

# Release Number 8409-21

## CFTC Market Risk Advisory Committee Adopts SOFR First Recommendation at Public Meeting

July 13, 2021

**Washington, D.C.** — The Commodity Futures Trading Commission's Market Risk Advisory Committee (MRAC) today adopted a market best practice known as SOFR First ([https://www.cftc.gov/media/6176/MRAC\\_SOFRFirstSubcommitteeRecommendation071321/download](https://www.cftc.gov/media/6176/MRAC_SOFRFirstSubcommitteeRecommendation071321/download)) for consideration by the full Commission. SOFR First is a phased initiative for switching trading conventions from LIBOR to the Secured Overnight Financing Rate (SOFR) for U.S. Dollar (USD) linear interest rate swaps, cross currency swaps, non-linear derivatives and exchange traded derivatives. Acting Chairman Rostin Behnam is the sponsor of the MRAC.

SOFR First, developed by the MRAC's Interest Rate Benchmark Reform Subcommittee (Subcommittee), is designed to help market participants decrease reliance on USD LIBOR in light of statements from the Financial Stability Board and the International Organization of Securities Commissions on LIBOR transition which reinforce U.S. banking regulator guidance that banks cease entering new contracts that reference USD LIBOR post December 31, 2021.

SOFR First has four phases with phase one, involving USD linear swaps, recommended to occur on July 26, 2021. Specifically, on July 26, 2021 and thereafter, interdealer brokers would replace trading of LIBOR linear swaps with trading of SOFR linear swaps. The SOFR First market best practice recommends keeping interdealer brokers' screens for LIBOR linear swaps available for informational purposes, but not trading activity, until October 22, 2021. After this date, these screens should be turned off altogether. The remaining SOFR First phases involve cross currency swaps, non-linear derivatives and exchange traded derivatives.

SOFR First represents the Subcommittee's third recommendation in connection with the transition of USD derivatives and related contracts away from LIBOR. This recommendation, along with earlier recommendations on plain English disclosures for new derivatives contracts referencing LIBOR and the CCP discounting transition tabletop exercise, will be submitted to the Commission for consideration.

See MRAC SOFR First Recommendation here ([https://www.cftc.gov/media/6176/MRAC\\_SOFRFirstSubcommitteeRecommendation071321/download](https://www.cftc.gov/media/6176/MRAC_SOFRFirstSubcommitteeRecommendation071321/download)) and under Related Links.

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