

Overview of Focus Areas and Progress to Date

MRAC Subcommittee on Interest Rate Benchmark Reform

	Uncleared Margin	Clearing Mandates	Public Disclosure
Background	<ul style="list-style-type: none"> Legacy IBOR derivatives that are exempt from UMR requirements may lose legacy status if amended to include fallback provisions or transitioned to RFRs <ul style="list-style-type: none"> May dissuade market participants from executing conversions Several ways to effectuate a change from IBOR position to RFRs <ul style="list-style-type: none"> ARRC identified 9 possible conversion methods, but more may exist Due to complexity, it may be difficult for market participants to bifurcate conversions of existing risk from execution of new risk 	<ul style="list-style-type: none"> Legacy IBOR derivatives that are exempt from clearing requirements may lose legacy status if amended to include fallback provisions Currently RFR derivatives are offered via clearinghouses and OTC, and clearing is not mandated by the CFTC 	<ul style="list-style-type: none"> Disclosures for IBOR products regarding implications of benchmark reform exist in the market, but, while accurate and compliant with applicable regulations, may be too complex for average market participants to understand Given evolving nature of RFR transition globally, some existing disclosures have become outdated
Subcommittee Objective ¹	<ul style="list-style-type: none"> CFTC can consider broad relief to preserve a derivative's legacy status if it is amended to include fallback provisions or converted via one of the ARRC-identified methods or other newly developed methods To further promote RFR liquidity, CFTC can permit all new uncleared RFR trades executed before Jan 1, 2022 to receive blanket relief from IM requirements CFTC could recommend that SIMM model enhancements that are necessary to include SOFR based swaps in SIMM should be approved centrally and firms should not be required to provide notice of or receive individual approvals with respect to those SIMM enhancements 	<ul style="list-style-type: none"> CFTC can issue guidance communicating that the addition of fallback provisions in an IBOR-based derivative contract will not impact "legacy" status as it relates to clearing mandate To the extent liquidity in RFRs improves, the CFTC can consider a framework by which to identify when it is appropriate to mandate clearing of RFR transactions 	<ul style="list-style-type: none"> CFTC can endorse "plain-English" disclosure language for use in new IBOR derivatives drafted by the MRAC Subcommittee CFTC can also consider establishing a website for backup material on the RFR transition, which can be updated as needed

1. These subcommittee objectives are consistent with the requests outlined by the ARRC in its two letters to regulators on July 12, 2018 and May 13, 2019, respectively. The ARRC's letters also highlight additional regulatory issues related to derivatives treatment which are outside the purview of this MRAC subcommittee