



**Commodity Futures Trading Commission**  
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## **“SOFR First” for Additional Cross-Currency Derivatives – Frequently Asked Questions<sup>1</sup>**

### **What is the “SOFR First” recommendation for cross-currency derivatives from the MRAC Subcommittee on Interest Rate Benchmark Reform (“MRAC Subcommittee”)?**

The MRAC Subcommittee believes that it is appropriate for interdealer brokers to change the USD leg of newly executed cross-currency derivatives from USD LIBOR to SOFR on December 13, 2021. Market participants should consider if it is practical or preferred to use a risk-free rate (RFR) for the non-USD leg of such transactions as well, but the MRAC Subcommittee’s recommendation is limited to the USD leg of such transactions.

### **How does “SOFR First” for cross-currency derivatives relate to the previous “RFR First” milestone date for cross-currency derivatives?**

The MRAC has previously recommended that cross-currency swaps referencing US Dollars (USD), Swiss Franc (CHF), Japanese Yen (JPY) and British Pound (GBP) should utilize RFRs in each currency instead of LIBOR as of September 21, 2021. This additional “SOFR First” recommendation is intended to capture the USD leg of all other cross-currency derivative transactions, regardless of the accompanying non-USD currency leg.

### **What products are considered USD cross-currency derivatives?**

For purposes of the “SOFR First” Transition Initiative, cross-currency derivatives include cross-currency basis swaps where one leg of the transaction is quoted in US Dollars. Typically, in such transactions the USD leg incorporates USD LIBOR (except where the transaction is covered by the “RFR First” recommendation that occurred on September 21, 2021).

### **Can end users still transact using USD LIBOR cross-currency derivatives after December 13, 2021?**

Yes, the “SOFR First” Transition Initiative is designed for the interdealer market only. Dealers may still execute USD LIBOR cross-currency derivatives with clients after December 13, 2021. However, global banking regulators have been clear that supervised entities should cease entering into new

<sup>1</sup> The “SOFR First” Transition Initiative was [approved](#) on July 13, 2021 by the Market Risk Advisory Committee (MRAC). The views, analyses, and conclusions expressed herein reflect the work of the Subcommittee on Interest Rate Benchmark Reform of the MRAC, and do not necessarily reflect the views of the Commodity Futures Trading Commission or its staff, or the U.S. government.

contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021.

**Does the MRAC Subcommittee recommend certain trade conventions for SOFR/RFR or SOFR/IBOR interdealer cross-currency derivatives?**

The MRAC Subcommittee notes that the Alternative Reference Rates Committee (ARRC) published [Recommendations for Interdealer Cross-Currency Swap Market Conventions](#) in January 2020. Market participants may prefer to leverage the ARRC's recommendations when determining trade conventions for cross-currency derivatives.

**After December 13, 2021, the recommended date for the transition of newly executed cross-currency derivatives from USD LIBOR to SOFR, will the MRAC Subcommittee focus on a similar "SOFR First" Transition Initiative for other products impacted by the transition away from LIBOR?**

In the fourth quarter of 2021, the MRAC Subcommittee will communicate to the market its recommendation for a "SOFR First" Transition for exchange traded derivatives.