rates. Unlike LIBOR, SOFR will be based on actual market transactions that are observable,
transparent and verifiable. Many financial entities, including insurance companies, use repos to
borrow cash overnight using primarily U.S. government debt as collateral.
The market for derivative products tied to SOFR is developing. The average daily volume of SOFR
futures contracts has increased by approximately 75% since 2019, according to the CME Group.
Furthermore, in January 2020, the CME Group began offering options on SOFR interest rate futures.
For more information on SOFR, please refer to A User’s Guide to SOFR from the ARRC.
Q: Which financial instruments will be affected by the transition away from LIBOR?
A: LIBOR is used in a large volume and broad range of financial products and contracts within a variety
of markets, including business and consumer lending. According to the ARRC, approximately $200
trillion of financial products and contracts referenced USD LIBOR as of year-end 2016, with
derivatives accounting for 95% of the total.
Corporate bonds, structured bonds, home mortgages, business loans and derivative contracts
typically use LIBOR as a pricing benchmark. Structured bonds such as asset-backed securities (ABS),
residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS),
collateralized loan obligations (CLOs), and collateralized debt obligations (CDOs) are priced using
LIBOR. The following table provides a summary of products indexed to LIBOR:

Note: ETDs = Exchange-Traded Derivatives

A key issue that will arise from the transition on the asset side (e.g., bonds, short-term instruments,
securitized products) is the need to review, and potentially revise, all financial agreements and contracts that reference LI n
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For derivatives contracts that are traded on exchanges, ISDA is working to enhance the contractual
robustness of derivatives contracts to address the end of LIBOR. It has identified SOFR as the
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Q: Are there any statutory accounting considerations as a result of the transition to a new benchmark
rate?
A: In April 2019, the Statutory Accounting Principles (E) Working Group revised SSAP No. 86—
Derivatives to add the SOFR Overnight Index Swap (OIS) and the Securities Industry and Financial
Markets (SIFMA) Municipal Swap Rate as U.S. benchmark interest rates for hedge accounting. The
Working Group will also consider new Financial Accounting Standards Board (FASB) guidance (once