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New York Fed Begins Publication of SOFR Averages and a SOFR Index

By Paul Hastings LIBOR Transition Task Force

On March 2, 2020, the Federal Reserve Bank of New York (the "New York Fed"), as administrator of the Secured Overnight Financing Rate ("SOFR"), announced its inaugural publication of SOFR Averages and a SOFR Index.[1] In cooperation with the Treasury Department's Office of Financial Research, the New York Fed began publishing three daily compounded averages of SOFR: a "30-day Average SOFR," a "90-day Average SOFR," and a "180-day Average SOFR," as well as a daily index that facilitates the calculation of compounded averages over custom time periods (the "SOFR Index").

With the publication of averages and an index for SOFR originally anticipated to begin in the first half of 2020, the New York Fed's announcement marks a significant step forward in the transition away from USD LIBOR and will facilitate the market's adoption and usage of SOFR, which is the Alternative Reference Rates Committee's (the "ARRC") recommended alternative to USD LIBOR, because the calculated term rates can be cited in contracts with ease. Welcoming the New York Fed's announcement and emphasizing the data's availability for immediate use, ARRC Chair Tom Wipf noted that "market participants should use [the SOFR Averages and SOFR Index] to create new SOFR-based contracts, instead of precariously growing LIBOR exposures and waiting for the development of a forward-looking term SOFR."[2]

The New York Fed will publish the SOFR Averages and SOFR Index on the New York Fed's website, available here, shortly after the SOFR is published at approximately 8:00 a.m. Eastern Time[3] on each business day that is not recognized as a holiday by the Securities Industry and Financial Markets Association ("SIFMA") calendar for secondary market trading of U.S. government securities. The New York Fed also has made additional information available regarding the policies and procedures related to the production of the SOFR Averages and SOFR Index, including the calculation methodology, treatment on non-business days, and value dates.[4]

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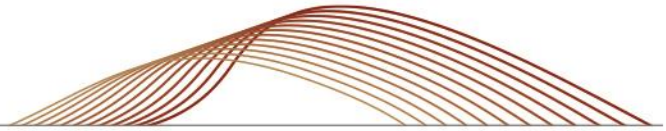

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[1] Statement Introducing the SOFR Averages and Index (Mar. 2, 2020), https://www.newyorkfed.org/markets/opolicy/operating_policy_200302.

[2] ARRC Chair Tom Wipf Welcomes the Publication of SOFR Averages and a SOFR Index (Mar. 2, 2020), https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_Press_Release_on_Avgs_Index.pdf.

[3] SOFR is published on the New York Fed's website, available here.

[4] Additional information about the Treasury Report Reference Rates can be found here.

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