Industry discussion regarding US-Dollar AXI & FXI: Implementation of IOSCO-aligned credit-spread reference benchmarks for SOFR.

Host: H. Rodgin Cohen, Senior Chair, Sullivan & Cromwell LLP

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Minutes for the January 30, 2025, Meeting

9.30am – 10.30am EST

The meeting was opened by Mr. Cohen, who welcomed all participants to the session which was held virtually. Mr. Cohen noted that the variety and high-quality representation of financial institutions in attendance underscored the significance of the topic under discussion. It was also emphasized that the meeting was held under the Chatham House Rule.

In accordance with the agenda that was circulated to participants in advance, Mr. Cohen provided legal ground rules prior to participants announcing their attendance.

One participant began by providing an overview of the differentiated design approach underlying benchmark credit spreads AXI and FXI. The participant referenced independent research that demonstrated how the incorporation of a credit-sensitive element in U.S. commercial lending markets could enhance the efficiency, transparency, and stability of U.S. financial markets.

Sofr.org staff noted the conclusion of IBM Promontory's independent review of AXI and FXI, which confirmed that both credit spread benchmarks had fully implemented the relevant International Organization of Securities Commissions' (IOSCO) Principles for Financial Benchmarks. Additionally, in connection with the role of a credit-sensitive supplement for SOFR, it was noted that a letter from U.S. financial regulators encouraged market participants to engage with the producers of alternative reference rates, reinforcing the importance of this dialogue. This participant noted that AXI/FXI's introduction could enhance banks' capacity to provide credit to American businesses, which supports economic growth.

A number of market participants, from both the sellside and buyside, then shared a range of perspectives on the application of AXI and FXI in the cash and derivatives markets. As AXI and FXI are available only as credit spreads, it was noted that their introduction will not impact existing SOFR market liquidity.

One participant raised the issue of hedge accounting, inquiring whether there had been interaction with the Financial Accounting Standards Board (FASB) to address any potential accounting impacts for financial institutions considering the use of AXI and FXI in financial products.

Sofr.org staff confirmed that certain large banks have begun ingesting and using AXI data primarily to enhance Treasury functions by incorporating a credit-sensitive element to reflect the bank's funding costs more accurately.

Participants were invited to identify and communicate any remaining obstacles to continue to facilitate industry adoption of AXI and FXI.

In concluding remarks, Mr. Cohen noted that the transition from LIBOR to SOFR had been successfully completed. Mr. Cohen expressed appreciation for the contributions and participation of all attendees and closed the meeting.

Attendance at the January 30, 2025, Meeting

Organization

Apollo Global Management
Athene
Balyasny Asset Management
Blackstone
BNP Paribas
Bridgewater Associates
Citadel Securities
Citigroup
Deutsche Bank
Goldman Sachs
Harvard
Investment Company Institute
International Swaps and Derivatives Association
JP Morgan
Millennium Management
Nomura
PIMCO
PNC Bank
Schonfeld Strategic Advisors
Sixth Street
Sofr.org
Stanford Graduate School of Business
Sullivan & Cromwell LLP (Host)
TP ICAP
Tradeweb
Vanguard

Agency

U.S Securities and Exchange Commission*
Federal Deposit Insurance Corporation*

*Asterisk indicates observer capacity only.