

March 23, 2021

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**Publication of the Secured Overnight Financing Rate (SOFR) on, and for, April 2, 2021**

SOFR is typically published every business day including days for which SIFMA recommends an early close for secondary market trading of U.S. government securities, but is not published on, or for, days for which SIFMA recommends a full closure.<sup>1</sup>

A U.S. Government Securities Business Day is defined in the 2006 ISDA Definitions as any day except Saturday, Sunday or a day on which The Bond Market Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities. The Bond Market Association merged with the Securities Industry Association to create SIFMA. April 2, 2021 (Good Friday) will be a U.S. Government Securities Business Day as confirmed by SIFMA.<sup>2</sup>

However, the Federal Reserve Bank of New York, as administrator for SOFR, has announced that there will be no publication of SOFR on, or for, Friday, April 2, 2021 as settlement of cleared Treasury repo is not scheduled to be available, which would eliminate two of the three market segments used to calculate and differentiate Treasury repo reference rates, including SOFR.<sup>3</sup>

Parties to transactions that reference SOFR are encouraged to review their contractual terms and to contact their counterparties in advance.

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<sup>1</sup> <https://www.newyorkfed.org/markets/treasury-repo-reference-rates-information>

<sup>2</sup> <https://www.sifma.org/resources/general/holiday-schedule/>

<sup>3</sup> [https://www.newyorkfed.org/markets/operating/operating\\_policy\\_210303a](https://www.newyorkfed.org/markets/operating/operating_policy_210303a)

## **Rate resets under the 2006 ISDA Definitions**

The following Rate Option under the 2006 ISDA Definitions makes use of SOFR:

### USD-SOFR-COMPOUND

Under this Rate Option, the rate for a Reset Date is the rate calculated in accordance with the formula set out in the Rate Option using SOFR as the reference rate for the purposes of that formula. The Rate Option defines “SOFR<sub>*i*</sub>”, for any day “*i*” in the relevant Calculation Period, as a reference rate equal to SOFR in respect of that day as published on or about 8:00 a.m., New York City time, on the U.S. Government Securities Business Day immediately following that day “*i*”.

If SOFR is published on, or for, April 2, 2021, the rate under the above Rate Option should be determined accordingly. If, as expected, no such rates are published, then the fallback contained in the relevant Rate Option definition would apply.

The Rate Option provides that, if, by 5:00 p.m. New York City time, on the U.S. Government Securities Business Day immediately following any day “*i*”, SOFR in respect of such day “*i*” has not been published and a SOFR Index Cessation Event has not occurred, then SOFR<sub>*i*</sub> for that day “*i*” will be SOFR as published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the New York Fed’s Website.

## **USD-SOFR-COMPOUND Swap Transactions under the 2006 ISDA Definitions**

Applying the provisions of “USD-SOFR-COMPOUND” in the 2006 ISDA Definitions:

- SOFR for U.S. Government Securities Business Day “*i*” of Thursday, April 1, 2021, would ordinarily be published at or about 8:00 a.m. New York City time on Friday, April 2, 2021 (as Friday, April 2, 2021 is the U.S. Government Securities Business Day immediately following Thursday, April 1, 2021). However, as confirmed by the Federal Reserve Bank of New York, there will be no such publication *on* Friday April 2, 2021. Therefore, unless otherwise specified in the Confirmation, SOFR for U.S. Government Securities Business Day “*i*” of Thursday, April 1, 2021 should be determined by reference to SOFR as published in respect of Wednesday, March 31, 2021, which is expected to be published at or about 8:00 a.m. New York City time on Thursday, April 1, 2021. This is because Wednesday, March 31, 2021 will be the first preceding U.S. Government Securities Business Day for which SOFR is published on the New York Fed’s Website at 5:00 p.m. New York City time on Friday April 2, 2021 (assuming the Federal Reserve Bank of New York publishes SOFR on its website for that day and no SOFR Index Cessation Event has occurred).
- SOFR for U.S. Government Securities Business Day “*i*” of Friday, April 2, 2021, would ordinarily be published at or about 8:00 a.m. New York City time on Monday, April 5, 2021 (as Monday April 5, 2021 is the U.S. Government Securities Business Day immediately following Friday, April 2, 2021<sup>4</sup>). However, as confirmed by the Federal

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<sup>4</sup> <https://www.sifma.org/resources/general/holiday-schedule/>

Reserve Bank of New York, there will be no such publication *for* Friday April 2, 2021.<sup>5</sup> Therefore, unless otherwise specified in the Confirmation, SOFR for U.S. Government Securities Business Day “i” of Friday, April 2, 2021 should be determined by reference to SOFR as published in respect of Thursday, April 1, 2021, which is expected to be published at or about 8:00 a.m. New York City time on Monday, April 5, 2021. This is because Thursday, April 1, 2021, will be the first preceding U.S. Government Securities Business Day for which SOFR is published on the New York Fed’s Website at 5:00 p.m. New York City time on Monday, April 5, 2021 (assuming the Federal Reserve Bank of New York publishes SOFR on its website for that day and no SOFR Index Cessation Event has occurred).

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<sup>5</sup> The Federal Reserve Bank of New York confirmed that there “will be no publication of ... SOFR ... on, or for, Friday, April 2, 2021... As a result, on Monday, April 5, 2021, ... SOFR will be published, reflecting same-day settling Treasury repo transactions that settle on Thursday, April 1, 2021 and mature on Monday, April 5”. See: [https://www.newyorkfed.org/markets/opolicy/operating\\_policy\\_210303a](https://www.newyorkfed.org/markets/opolicy/operating_policy_210303a)