



ISDA Launches Risk-free Rate Adoption Indicator

NEW YORK, July 28, 2020 – The International Swaps and Derivatives Association, Inc. (ISDA) has launched a new indicator to monitor the adoption of alternative risk-free rates (RFRs) in derivatives trading.

The indicator, developed in conjunction with Clarus Financial Technology, will provide a monthly snapshot of RFR trading activity in interest rate derivatives (IRD) markets, based on global cleared over-the-counter and exchange-traded derivatives data from seven central counterparties spanning six currencies. The indicator is intended to help derivatives market participants keep tabs on progress to shift to RFRs ahead of the end of 2021, when the UK Financial Conduct Authority will no longer compel or persuade banks to make LIBOR submissions.

“As the transition to RFRs continues to pick up pace, we wanted to develop a single, transparent data point that participants could use to track progress across multiple IRD products and currencies. These indicators will provide important clarity on what’s been achieved and the work that remains to be done ahead of the end of 2021,” said Scott O’Malia, ISDA’s Chief Executive.

The RFR Adoption Indicator tracks the percentage of cleared IRD trading activity that references RFRs, measured by DV01. DV01 is a gauge of risk that represents the valuation change in a derivative contract resulting from a parallel 1 basis point shift in the swaps curve. The RFR Adoption Indicator was at 4.7% in June 2020.

ISDA and Clarus have also developed a number of sub-indicators that provide additional granularity based on currencies, tenor and over-the-counter versus exchange-traded IRD, as well as notional amount traded.

Based on those indicators, 24.4% of sterling-denominated IRD DV01 was referenced to RFRs in June, the highest proportion of the six currencies tracked. Total DV01 of RFR-linked IRD across all six currencies was \$1.3 billion over the same period.

The [first monthly report is available here](#). The ISDA-Clarus RFR Adoption Indicator will be available each month on ISDA’s website.

[A whitepaper on the methodology is available here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 925 member institutions from 75 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

Information about ISDA and its activities is available on the Association's website:

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