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June 30, 2022

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St. N.W.
Washington, DC 20581

Re: Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for the Transition from LIBOR and Other IBORs to Alternative Reference Rates (RIN 3038-AF18)

Dear Mr. Kirkpatrick,

SOFR Academy[1] appreciates the opportunity to submit these comments on the Commodity Futures Trading Commission's (the "**Commission**'s") notice of proposed rulemaking (the "**NPR**") noted above. We are grateful for the Commission's longstanding commitment to facilitate an orderly transition of swaps from LIBOR and other IBORs to alternative reference rates.

Background information

In response to market demand[2], SOFR Academy is driving the operationalization of USD Across-the-Curve Credit Spread Indices ("**AXI**")[3] and USD Financial Conditions Credit

[1] SOFR Academy, Inc. provides financial education and differentiated market data to empower corporations, financial institutions, governments, and individuals to make better decisions. The Firm's panel of advisors includes academics from Harvard University, the University of California Berkeley, New York University, the University of Oxford, London Business School, and Tsinghua University, as well as experienced global markets sales and trading services professionals. SOFR Academy is a member of the American Economic Association ("AEA"), the Loan Syndications and Trading Association (LSTA), International Swaps and Derivatives Association's (ISDA), the Asia Pacific Loan Market Association ("APLMA"), the Bankers Association for Finance and Trade ("BAFT") which is a wholly owned subsidiary of the American Bankers Association ("ABA"), and the U.S. Chamber of Commerce. For more information, please visit www.SOFR.org
[2] https://www.newyorkfed.org/medialibrary/media/newsevents/events/markets/2020/credit-sensitivity-letters.pdf
[3] Further information about AXI is available at SOFR.org/AXI

Spread Indices ("**FXI**")[4], which can be used in conjunction with Secured Overnight Financing Rate ("**SOFR**") to form a credit sensitive interest rate benchmark.

'All-in' benchmark rates will be calculated and published where across-the-curve credit spreads are combined with variations of SOFR that are published and administered by the NY Fed[5]. A benchmark comprised of a variation of SOFR plus AXI is referred to as 'SOFRx'. A benchmark comprised of a variation of SOFR plus FXI is referred to as 'SOFRy'. The daily publication of overnight SOFRx and SOFRy allow for the potential development of Overnight Index Swap ("**OIS**") Rate markets.

The benchmarks will be published by recognized benchmark administrator Invesco Indexing LLC[6] which is owned by American investment management firm Invesco Ltd (NYSE: IVZ). The indices are developed, maintained and overseen through a governance framework established in alignment with International Organization of Securities Commissions ("**IOSCO**") Principles for Financial Benchmarks. The benchmarks will be accessible via major market data providers such as Refinitiv and Bloomberg.

On Friday, May 27th, 2022, the ISDA expanded their Interest Rate Derivatives Definitions Floating Rate Matrix to include new Floating Rate Options ("**FRO**") for both USD-AXI Term and USD-FXI Term. Further, ISDA has added provisions so that market participants can use AXI or FXI with any other FRO in one swap eliminating the need for two swaps to hedge SOFRx or SOFRy positions. AXI and FXI are designed such that the pool of underlying transactions is sufficiently deep for use in derivatives market applications (Berndt, Duffie & Zhu, 2020)[7].

Under the 2022 AXI Master License Agreement, data license fees are being waived for market regulators, central banks, and multilateral development banks. Further, fees are being waived for market data vendors / data redistributors. AXI and FXI will be published each business day on a T+1 basis at approximately 9am New York City time. Financial institutions who have demonstrated interest in AXI include U.S. Regional banks, multiple Global Systemically Important Banks, liquidity providers, and Central Banks.

Definition of SOFR USD OIS

We believe that the Commission should clarify the definition of SOFR USD OIS. For the avoidance of doubt, we propose that the Commission restrict the definition of SOFR USD OIS to being OIS derivatives referencing only the SOFR published and administered by the Federal Reserve Bank of New York ("**NY Fed**"). This will avoid any potential confusion in the event that an OIS market develops referencing an index that is the combination of the NY Fed's SOFR plus a credit spread supplement, such as SOFRx and SOFRy benchmarks.

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[4] FXI is an extension of AXI which widens the coverage as to include transactions from non-bank financial institutions and non-financial corporates. FXI is approximately 500% more robust than AXI and is highly correlated with AXI especially over recent years (Berndt, Duffie & Zhu, 2020).

[5] Any republication of SOFR and any 'all-in' rates based on SOFR rates administered by the NY Fed will be published in accordance with the NY Fed's terms of use

[6] https://www.invescoindexing.com/en/

[7] Berndt, Antje and Duffie, James Darrell and Zhu, Yichao, Across-the-Curve Credit Spread Indices (July 23, 2020). Stanford University Graduate School of Business Research Paper No. 3884, Available at SSRN: https://ssrn.com/abstract=3662770 or http://dx.doi.org/10.2139/ssrn.3662770

Section IV A (Overview over the Proposed Regulation) i) c) i) of the NPR[8] states (in relation what is added to the OIS class) “Swaps denominated in USD that reference SOFR as a floating rate index with a stated termination date range of 7 days to 50 years”. However, it is unclear whether this definition includes a swap denominated in USD that references SOFR in addition to another floating rate such as AXI or FXI.

Without the aforementioned clarification, counterparties would have to self-determine whether the addition of a credit spread supplement differentiates the floating rate or whether the swap remains subject to clearing.

Should you have any questions or desire further clarification please do not hesitate to contact the undersigned.

/s/ Marcus Burnett
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[8] https://www.federalregister.gov/documents/2022/05/31/2022-10490/clearing-requirement-determination-under-section-2h-of-the-commodity-exchange-act-for-interest-rate#citation-22-p32900