The ARRC Chair welcomed everyone and thanked them for their continued active participation during these unprecedented times and encouraged everyone to continue their engagement and interaction during the virtual meetings. An update on the timeline for ISDA’s IBOR Fallbacks Protocol was provided and ARRC members were asked to encourage market participants to adhere to the Protocol before it takes effect, and for those dealers and market participants with significant derivatives exposures to do so during the two-week escrow period ahead of the official launch date in order to promote adoption on as timely a basis as possible. The ARRC Chair then informed members that two tabletop discussions were being scheduled, one for nonfinancial corporates and another for buyside operational experts. To wrap up administrative items, Brunswick provided an update on their work and highlighted the resources available in SOFR Starter Kit, a set of factsheets to inform the public about the transition away from U.S. dollar LIBOR to SOFR.

The co-Chairs of the Regulatory working group provided an update on recent work completed by the working group including an overview of the recent CFTC announcement which provides additional relief to swap dealers related to the industry-wide initiative to transition from LIBOR-referenced swaps.

Members of the Legal working group provided a comparison of the proposed EU and UK legislation to the NY State Legislation (Attachment 1). An update on the status of the proposed New York legislation followed along with a discussion of potential next steps for outreach.

The Co-Chairs of the Market Structure and Paced Transition working group provided an update on the addendum to their recommendation which provides additional guidance for the switch by LCH and CME from EFFR to SOFR for discounting and price alignment, which is planned for October. The addendum was subsequently published.

The ARRC Chair then asked members who have recused themselves from the Spread Adjustment RFP work to drop off the line. The group then discussed the Spread Adjustment RFP, which had been published on September 2, 2020.

Following that discussion, the ARRC chair asked members who have recused themselves from the Term Rate RFP work to drop off. A discussion followed around the RFP criteria and the scope of use of a potential term rate. The term rate RFP was subsequently published.

The next ARRC meeting is scheduled to be held October 21st via Webex.
Attendance at the September 9, 2020 Meeting*

**ARRC Members**

- Ameri can Bankers Association
- Association for Financial Professionals
- AXA
- Bank of America
- Bank of America
- Bank of America
- BlackRock
- Citigroup
- Citigroup
- Comerica
- CME Group
- CRE Finance Council
- CRE Finance Council
- CRE Finance Council
- Deutsche Bank
- Deutsche Bank
- Fannie Mae
- Fannie Mae
- Federal Home Loan Bank
- Federal Home Loan Bank
- Federal Home Loan Bank of New York
- Ford
- Freddie Mac
- Freddie Mac
- GE Capital
- GE Capital
- Goldman Sachs
- Goldman Sachs
- Goldman Sachs
- Goldman Sachs
- Government Finance Officers Association
- HSBC
- Huntington Bank
- Independent Community Bankers of America
- Independent Community Bankers of America
- Intercontinental Exchange
- International Swaps and Derivatives Association
- KKR
- LCH

**Participants**

- Hu Benton
- Thomas Hunt
- Julien Zusslin
- Greg Todd*
- Sonali Theisen
- Alex van Voorhees
- Jack Hattem
- Dina Faenson
- Jeannine Hyman
- Dave Shipka
- Agha Mirza
- Raj Aidasani
- Sairah Burki
- Lisa Pendergrast
- Adam Eames
- Nader Jarun
- Bob Ives
- Wells Engledow
- Kyle Lynch
- Phil Scott
- Rei Shinozuka*
- Jason Behnke
- Ameez Nanjee
- Michelle Thomas
- Fred Robustelli
- Michael Taets
- Gigi Chavez de Arnavat*
- Brian Friedman
- Guillaume Helie
- Jason Granet
- Emily Brock
- Shirley Hapangama
- Chris Cole
- James Kendrick
- Harvey Flax
- Ann Battle
- Andrew Gray
- Alice Wang
- Emilio Jimenez*
- Perry Elbadrawi
- Katherine Morgan*
- Tal Reback
- Phil Whitehurst
Loan Syndications and Trading Association
Meredith Coffey
Tess Virmani
MetLife
Alex Strickler
Joe Demetric
Morgan Stanley
Maria Douvas
Maria-Ines Raij
Michelle Goldstein
Morgan Stanley
Matt Ochs
Paige Mandy*
Morgan Stanley
Perry Elbadrawi*
Morgan Stanley
Tom Wipf
National Association of Corporate Treasurers
Tom Deas
PIMCO
Scott Goodman
Courtney Garcia
PNC
Alex Spiro
Andrew Wilson
Prudential Financial
Chris McAlister
Gary Horbacz
Prudential Financial
Securities Industry and Financial Markets Association
Chris Killian
Securities Industry and Financial Markets Association
Nancy Lancia
Securities Industry and Financial Markets Association
Rob Toomey
Structured Finance Association
Jen Earyes
Kristi Leo
TD Bank
Greg Moore
Priya Misra
Wells Fargo
Alexis Pederson
Brian Grabenstein
Wells Fargo
Reade Callahan
World Bank Group
Don Sinclair*

Ex-Officio ARRC Members
Commodity Futures Trading Commission
Sayee Srinivasan
Consumer Financial Protection Bureau
Abishek Agarwal
Federal Deposit Insurance Corporation
Irina Leonova
Federal Housing Finance Agency
Dan Coates
Federal Reserve Bank of New York
Betsy Bourassa
Justin Epstein
Jamie Pfeifer
Cam Fuller
Nate Wuerffel
Raymond Check
Scott Nagel
Megan Zirinsky
William Riordan
Federal Reserve Board of Governors
David Bowman
Evan Winerman
Federal Reserve Board of Governors
Jeffrey Huther
Federal Reserve Board of Governors
Darren Gersh
National Association of Insurance Commissioners
Eric Kolchinsky
New York State Department of Financial Services
Steven Kluger*
Office of Financial Research
Robert “Jay” Kahn
Office of Financial Research
Sriram Rajan
Office of Financial Research
Ron Alquist
Office of Financial Research
Kevin Walsh
Office of the Comptroller of the Currency
Ang Middleton
U.S. Department of Housing and Urban Development
Jose Fernandez
U.S. Department of Housing and Urban Development
Maria Chelo DeVenecia
U.S. Securities and Exchange Commission
David Metzman
U.S. Securities and Exchange Commission
Jason Leung
U.S. Securities and Exchange Commission
Michelle Danis
U.S. Securities and Exchange Commission
Tamara Brightwell
U.S. Treasury
Peter Phelan
U.S. Treasury
Chloe Cabot

Observers
Bank of Canada
Sheryl King
BNP Paribas
Simon Winn
Brunswick
Pauline Blondiaux
Brunswick
Casey Gunkel
Brunswick
Elizabeth Lilly
Brunswick
Jeanmarie McFadden
Brunswick
Will Rasmussen
Cadwalader
Michael Sholem
Cadwalader
Lary Stromfeld
Deloitte
Alexey Surkov
Ernst & Young
John Boyle
Morgan Lewis
Jon Roellke
Oliver Wyman
Adam Schneider

*This meeting was held via WebEx; asterisk indicates participation by dial-in.
LIBOR transition and legacy contracts:
a comparison of NY, UK and EU legislative proposals

September 9, 2020

Proposed New York State Legislation

- The ARRC’s proposal for NY State legislation would apply to contracts governed by New York law.
- The legislation would be triggered by one of the following public statements:
  - A statement by IBA or another official with authority over ICE that ICE has ceased or will cease to publish LIBOR.
  - A statement by the FCA that LIBOR is no longer representative.
- For legacy contracts containing only LIBOR-based fallbacks or no fallbacks at all, the legislation would direct instead the use of the replacement benchmark + spread recommended by the ARRC.
- For legacy contracts that enable a party to use discretion in selecting a fallback rate:
  - The legislation would create a safe harbor for that party if it chooses the ARRC recommended benchmark + spread.
- The legislation would override any contractual requirement to conduct a poll to determine LIBOR.
- Parties to contracts governed by the legislation would be prohibited from treating a LIBOR cessation event or the selection of the ARRC replacement benchmark + spread as a breach, force majeure event, or other excuse of performance.
- The legislation would have no effect on contracts that specify non-LIBOR-based fallbacks (e.g., the prime rate), contracts where a party with discretion elects to use a replacement other than the ARRC recommended benchmark + spread, or in cases where all parties to the contract elect to opt out.
Proposed UK Amendments to the UK Benchmarks Regulation

- On June 23, 2020, the UK government announced plans to amend the ‘onshore’ Benchmark Regulations regarding critical benchmarks, including Libor, that will be applicable to UK supervised entities post-Brexit.

- The approach does not follow the NY or EU statutory replacement model.

- This new UK Financial Services Bill will empower the UK Financial Conduct Authority (FCA):
  - To require Libor’s administrator (IBA) to alter its methodology in calculating Libor, where there has been a statement that Libor is no longer representative and
  - Permit the continued use of Libor for a narrow category of ‘tough legacy’ contracts.

- Consultation about the FCA’s new powers is expected later in the year. This may focus on:
  - The prohibition of Libor use for new transactions;
  - The scope of the prohibition the scope of ‘tough legacy’ contracts;
  - Interaction with IVY and EU/legislative proposals for statutory replacement rates;
  - The amended methodology for this ‘synthetic’ Libor, e.g., the relevant RFR + ISDA spread adjustment; and
  - The length of time in which the FCA will permit use of ‘synthetic’ Libor.

- The result is that a Libor rate may still be available for at least some Libor currencies and tenors, even after end-2021.

- The FCA regards the proposal as a reserve option for tough legacy, it is still requiring UK market participants to continue with an active and prompt transition to alternative rates for most products.

- The FCA has stated that publication of ‘synthetic’ Libor will not restore Libor’s representativeness for BMR purposes.

Proposed Amendments to the EU Benchmarks Regulation

- On July 24, 2020, the European Commission (EC) published a draft legislation to amend the BMR in respect of (i) the exemption of certain third country foreign exchange benchmarks and (ii) the designation of replacement benchmarks for certain critical benchmarks in cessation (such as Libor).

- The proposal empowering the EC to designate a statutory replacement benchmark where:
  - A benchmark will cease to be published and
  - The cessation may result in significant disruption in the functioning of financial markets in the EU.

- The statutory replacement rate will become effective upon the occurrence of one of a number of trigger events, including:
  - A statement of non-representativeness from the regulator with responsibility for the benchmark administrator, or
  - A statement of cessation, or planned cessation of the benchmark, by the benchmark administrator.

- A replacement benchmark designated by the EC shall, by operation of law, replace all references to the benchmark that has ceased to be published in BMR in-scope contracts, instruments and measurements.

- In scope contracts are those which involve an EU-supervised entity as counterparty and where there is no ‘suitable’ fall-back provision.

- The EC will recommend to EU Member States that they adopt the statutory replacement in national statutes for use in contracts between non-financial counterparties.

- In choosing the statutory replacement rate(s), the EC will take into account recommendations made by risk-free rate working groups for each Libor currency (e.g., ARRC for USD Libor contracts, RFRWG for GBP Libor).
<table>
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<tr>
<th><strong>NY/UK/EU Proposal Comparison Table</strong></th>
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<td><strong>NY</strong></td>
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<td>Form of legislation</td>
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<td>Mechanism</td>
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<td>Key Triggers</td>
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<td>Scope of impacted contracts</td>
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<td>Replacement rate + spread</td>
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**NY/UK/EU Proposal Comparison Table (continued)**

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<td>Mandatory application</td>
<td>New York law-governed contracts</td>
<td>Applies to all legacy LIBOR contracts</td>
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<td>containing no fallbacks or only</td>
<td>entered into by EU supervised entities</td>
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<td>LIBOR-based fallbacks (including</td>
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<td>piling), unless contract parties</td>
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<td>Timing</td>
<td>Subject to NY State legislative</td>
<td>Amended EU BMR to be published in EU</td>
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<td>Official Journal by December 2020</td>
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