Alternative Reference Rates Committee (ARRC)
Minutes for the February 17, 2021 Meeting

The ARRC Chair welcomed participants to the virtual meeting and thanked them for their continued diligence as the ARRC continues with virtual meetings.

Brunswick kicked off the meeting by presenting their 2021 Communications Plan including the goals and initiatives which they will be working on in the coming year. The ARRC Chair then followed up with a discussion of Brunswick’s proposed fee structure for 2021 as well as certain other professional fees incurred by the ARRC and borne by its members.

Members of the Legal working group then provided an update on recent efforts concerning the ARRC’s proposed transition legislation, which included the submission of various suggested technical amendments to the proposed legislation which had already been submitted to the New York State Governor’s office. These technical amendments address the use of interpolation in the event certain LIBOR tenors are discontinued before others (as proposed in the recent IBA consultation) as well as other technical matters. As has been noted in previous meetings, though the ARRC’s primary focus remains on New York State legislation, ARRC representatives also continue to engage with interested members of the United States Congress regarding the possibility of similar federal legislation to address legacy contracts.

The co-Chairs of the Business Loans working group provided an update on the work being done by the group to draft a simplified version of the recommended hardwired fallback language to reflect the potential results of the recent consultation by LIBOR’s administrator.

The ARRC Chair then discussed the ARRC’s 2021 objectives which are focused on, but not limited to, legislative efforts, outreach and education, and recommendations to promote operational readiness for, and progress in cash markets toward, the LIBOR transition. A discussion of the objective relating to the publication and scope of use of an ARRC-recommended term rate was tabled to be discussed later in the meeting after the necessary recusals had been made.

Next, the ARRC was provided with an update on a February 10th ARRC roundtable held with senior representatives of private equity firms to discuss common challenges for sponsors in approaching the LIBOR transition. The private equity firms emphasized their reliance on their bank partners for the transition and a desire for more communication from lenders on alternative to LIBOR lending products, which has also been a point expressed by non-financial

1 Note that given time constraints, a subsequent ARRC call was scheduled for March 4, 2021 from 5:00 PM – 6:00 PM to continue this meeting with further discussion of items #8 on the agenda (Term Rate RFP Update and Term Rate Discussion).
corporates. In addition, it was noted that private equity firms and non-financial corporates have highlighted dependencies and challenges for vendors who must make necessary system upgrades to support the transition. A further discussion was also had regarding how to best accelerate progress in transitioning loan products away from LIBOR in line with recently issued US Supervisory Guidance.

ARRC members then received an update from Federal Reserve staff on the technical details related to its recommendations for a consumer spread adjustment methodology which were discussed at the last meeting. The final technical details of the ARRC’s spread-adjustment proposals were expected to be released in the upcoming weeks.

Members who have recused themselves from the Spread Adjustment RFP work then dropped off the line ahead of an update on the RFP, which included a discussion of the RFP evaluation group’s assessment of submitted proposals and responses to questions posed by ARRC members. It was noted that a formal recommendation will be sent to ARRC members in order to support the ARRC in finalizing the vendor selection.

The ARRC Chair then asked members who have recused themselves from the Term Rate RFP work to drop off the line ahead of an update on the RFP. The update included a brief discussion of the RFP evaluation group’s initial impressions of the four proposals submitted by potential vendors and then turned to a discussion of potential key principles for defining the recommended scope of use for any term rate and sufficiency thresholds necessary to support any potential recommendation as set out in the RFP. ARRC members voiced a number of opinions regarding the need, desire, and appropriate timing for a potential ARRC-recommended forward-looking term SOFR rate. Members highlighted that the current state of liquidity in SOFR derivatives markets and slow movement away from LIBOR in bank lending presents a limitation on the ARRC’s ability to develop a recommendation for, and thus a subsequent publication of, a forward-looking term rate by June 2021. Members proposed that an ARRC task force be formed to determine how best to move forward with the ARRC’s work in this area, including work related to the recommended scope of use for a potential term rate, metrics to assess sufficiency thresholds to support a recommendation, and next steps for the RFP process. With this backdrop, and the recent US Supervisory Guidance, in mind, members reiterated the importance of accelerating the transition away from USD LIBOR with the tools available now.

The ARRC Chair closed the meeting by thanking everyone and noting that the next ARRC meeting is scheduled to be held March 18th via Webex.

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In order to continue the discussion of the ARRC’s work on a potential SOFR term rate, ARRC members who had not recused themselves from the Term Rate RFP work participated in a follow-up call on March 4, 2021. The ARRC Chair discussed the membership of the task force
formed to determine how best to move forward with the ARRC’s work in this area, as discussed at the February ARRC meeting. The ARRC Chair then provided an overview of the task force’s first meeting, at which the task force discussed a possible plan for the work ahead. ARRC members emphasized the importance of communicating the status and timing of a potential ARRC-recommended forward-looking term SOFR rate to market participants in a timely and transparent manner. Members noted that the recommendation of a term rate was conditional on the development of sufficient liquidity in SOFR derivatives markets along with the development of a recommendation for an appropriately limited scope of use for the term rate. Members reiterated that recommending a term rate was unlikely to occur by mid-June. The task force expects to report back on the work ahead, including the timing of such work, at the upcoming March 18 meeting.
Attendance at the February 17, 2021 Meeting*

ARRC Members
American Bankers Association
Association for Financial Professionals
Bank of America
Bank of America
Bank of America
BlackRock
BlackRock
Citigroup
Citigroup
CRE Finance Council
CRE Finance Council
CRE Finance Council
Deutsche Bank
Deutsche Bank
Equitable
Fannie Mae
Fannie Mae
Federal Home Loan Bank
Federal Home Loan Bank
Federal Home Loan Bank
Ford
Ford
Freddie Mac
Freddie Mac
Freddie Mac
Freddie Mac
Freddie Mac
GE Capital
GE Capital
Goldman Sachs
Goldman Sachs
HSBC
HSBC
Huntington Bank
Independent Community Bankers of America
Intercontinental Exchange
Intercontinental Exchange
International Swaps and Derivatives Association
JP Morgan Chase & Co.
JP Morgan Chase & Co.

Hu Benton
Tom Hunt
Sonali Theisen
Greg Todd*
Alex van Voorhees
Jack Hattem
Alex Krol
Josie Evans
Jeannine Hyman
Agha Mirza
Dave J Shipka
Lisa Pendergast
Raj Aidasani
Sairah Burki
Adam Eames
Greg Coutu
Julien Zusslin
Robert Ives
Wells Engledow
Kyle Lynch
Philip Scott
Rei Shinozuka
Jason Behnke
Nathan Herbert
Ameez Nanjee
Guim Barbour
Karen Pilewski
Rishi Sarpal
Michelle Thomas
Fred Robustelli
Michael Taets
Guillaume Helie
Jason Granet
Shirley Hapangama
Blair Selber
Beth Russell
James Kendrick
Chris Edmonds
Harvey Flax
Ann Battle
Alice Wang
Andrew Gray
JP Morgan Chase & Co.
Emilio Jimenez
Perry Elbadrawi
Katie Morgan
Tal Reback
Philip Whitehurst
Meredith Coffey
Tess Virmani
Alex Strickler
Joe Demetrick
William Ding
Maria Douvas
Matt Ochs
Michelle Goldstein
Paige Mandy
Tom Wipf
Tom Deas
Courtney Garcia
Jerome Schneider
Andrei Wagner
Alex Spiro
Andrew Wilson
Prudential Financial
Chris McAlister
Gary Horbachz
Securities Industry and Financial Markets Association
Chris Killian
Rob Toomey
Structured Finance Association
Jen Earyes
Kristi Leo
TD Bank
Greg Moore
Priya Misra
US Chamber of Commerce
Kristen Malinconoco
Tom Quaadman
Wells Fargo
Alexis Pederson
Brian Grabenstein
World Bank Group
Don Sinclair
Ex-Officio ARRC Members
Commodity Futures Trading Commission
Sayee Srinivasan
Consumer Financial Protection Bureau
Abhishek Agarwal
Federal Deposit Insurance Corporation
Irina Leonova
Federal Housing Finance Agency
Daniel E. Coates
Federal Reserve Bank of New York
Betsy Bourassa
Federal Reserve Bank of New York
Caitlin Briglio
Federal Reserve Bank of New York
Caren Cox
Federal Reserve Bank of New York
Cam Fuller
Federal Reserve Bank of New York
Bradley Groarke
Federal Reserve Bank of New York
Fatima Madhany
Federa Reserve Bank of New York
Irma Ince
Federal Reserve Bank of New York
Jamie Pfeifer
Federal Reserve Bank of New York
Justine Hansen
Federal Reserve Bank of New York
Nate Wuerffel
Federal Reserve Bank of New York
Raymond Check
Federal Reserve Bank of New York
William Riordan
Federal Reserve Bank of New York
Megan Zirinsky
Federal Reserve Board of Governors
Darren Gersh
Federal Reserve Board of Governors
David Bowman
Federal Reserve Board of Governors
Erik Heitfield
Federal Reserve Board of Governors
Evan Winerman
Federal Reserve Board of Governors
Jeffrey Huther
National Association of Insurance Commissioners
Eric Kolchinsky
New York Department of Financial Services
Steven Kluger
Office of Financial Research
Robert "Jay" Kahn
Office of Financial Research
Ron Alquist
Office of Financial Research
Sriram Rajan
Office of the Comptroller of the Currency
Ang Middleton
Office of the Comptroller of the Currency
Kevin Walsh
U.S. Department of Housing and Urban Development
Maria Chelo DeVeneica
U.S. Department of Housing and Urban Development
Joshua Miller
U.S. Securities and Exchange Commission
Tamara Brightwell
U.S. Securities and Exchange Commission
Jason Leung
U.S. Securities and Exchange Commission
Michelle Danis
U.S. Treasury
Chloe Cabot
U.S. Treasury
Brian Smith

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

*This meeting was held via WebEx; asterisk indicates participation by dial-in.