Alternative Reference Rates Committee (ARRC)

Minutes for the March 23, 2022 Meeting

The ARRC Chair welcomed participants to the virtual meeting and provided a brief update on Brunswick’s 6-month engagement fees for participating member organizations.

The Legal Working Group then provided a high-level summary of the “Adjustable Interest Rate (LIBOR) Act” that was recently enacted as part of the Consolidated Appropriations Act, 2022. The legislation provides a critically targeted solution for U.S. dollar (USD) LIBOR financial contracts that mature after the impending cessation of LIBOR in mid-2023 and have no effective means to replace LIBOR upon its cessation. The new federal LIBOR law takes an approach similar to legislation that was initially proposed by the ARRC in 2020 and was passed by New York and several other states. The federal legislation establishes a uniform process on a nationwide basis and makes further state-by-state action unnecessary. The legislation directs the Federal Reserve Board to promulgate regulations to carry out this legislation no later than 180 days following the legislation’s enactment. ARRC members welcomed the federal LIBOR legislation as it will minimize legal and operational risks and adverse economic impacts associated with the transition of tough legacy contracts. The ARRC and Legal Working Group Chairs thanked members for all of their efforts and contributions towards achieving this milestone.

Next, Federal Reserve staff provided an overview of the USD LIBOR transition using the charts provided in the March 23 Meeting Readout, noting that the data suggest most markets continue to make a significant shift in their activity away from USD LIBOR to SOFR. In particular, SOFR over-the-counter (OTC) derivative volumes sharply accelerated in 2022 to date, with SOFR swaps accounting for around 80 percent of interest rate risk traded in the outright linear swaps market. In exchange-traded derivatives, average daily SOFR futures volumes increased by 50 percent month-over-month in February. In addition to the data, anecdotal feedback also continues to suggest significant progress in the shift from LIBOR to SOFR. Staff provided an overview of the results of the most recent sentiment survey of ARRC members (see Appendix A for summary slides). Survey respondents characterized the LIBOR transition overall as progressing smoothly or generally smoothly, with none reporting significant obstacles. Respondents’ assessments were consistent with the January 2022 survey results. The survey responses continued to note the overall encouraging growth in SOFR-based cash and derivative products. Some also focused on specific segments of the market where further progress is needed in transitioning from LIBOR, in particular exchange-traded products, and a few also noted continued use by some of the ICE USD LIBOR Swap Rate in constant maturity swaps (CMS).

The Operations/Infrastructure Working Group Chairs provided an update on its ongoing work, including the initiative to have a centralized and harmonized communication process for transition changes to floating rate securities. The group is working on the notifications process
and the range of data elements to be included in that process. Separately, the working group co-chairs highlighted feedback received from a survey of the group’s members on identifying key areas of focus from an operational perspective. Areas of feedback included communication of benchmark changes, information availability, coordination between parties involved, and concern over the pace/scale of the transition required to be completed within a limited time frame.

The Market Structure and Paced Transition Working Group presented a draft proposal for potential ARRC recommendations for fallbacks for contracts linked to USD LIBOR ICE Swap Rates (USD LIBOR ISR) to support the transition of USD LIBOR swaptions and USD LIBOR CMS-linked derivatives and debt instruments upon the cessation of LIBOR after June 30, 2023. The proposal draws upon a white paper that the ARRC published in March 2021, which describes a formula to calculate a fallback from the USD LIBOR ISR to a spread-adjusted SOFR Swap Rate. ARRC members were requested to provide feedback on the proposal.

Term Rate Task Force provided an update on its work around the consideration of a recommendation of 1-year Term SOFR by the ARRC. Similar to its process before formally recommending 1-, 3-, and 6-month CME Term SOFR in mid-2021, the ARRC is conducting its evaluation of 1-year Term SOFR in a manner consistent with the principles and indicators it has established.

The ARRC Chair ended the meeting by directing members to review and finalize the March 23 Meeting Readout. The ARRC Chair then thanked everyone and reminded everyone of the next ARRC meeting to be held May 18th via WebEx.
Attendance at the March 23, 2022 Meeting*

**ARRC Members**

American Bankers Association
- Hu Benton
Bank of America
- Janet Choi
Bank of America
- Gregory Todd
Bank of New York Mellon
- Oliver Bader
Bank of New York Mellon
- Jeanne Naughton-Carr
BlackRock
- Jack Hattem
BlackRock
- Alexander Krol
Citigroup
- Peter Phelan
Citigroup
- Luis Asturizaga
Citigroup
- Rodrigo Fernandez
Citigroup
- Jeannine Hyman
CME Group
- Agha Mirza
Comerica Bank
- Dave Shipka
CRE Finance Council
- Raj Aidasani
CRE Finance Council
- Sairah Burki
Deutsche Bank
- Kayam Rajaram
Fannie Mae
- Wells Engledow
Fannie Mae
- Bob Ives
Federal Home Loan Bank Office of Finance
- Kyle Lynch
Federal Home Loan Bank of New York
- Philip Scott
Federal Home Loan Bank of New York
- Rei Shinozuka
Ford Motor Company
- Jason Behnke
Freddie Mac
- Ameez Nanjee
Freddie Mac
- Guim Barbour
Freddie Mac
- Allan Krinsman
Freddie Mac
- Karen Pilewski
GE Capital
- Fred Robustelli
GE Capital
- Michael Taets
Goldman Sachs
- Guillaume Helie
Government Finance Officers Association
- Patrick McCoy
Government Finance Officers Association
- Emily Brock
HSBC
- Shirley Hapangama
HSBC
- Blair Selber
Huntington National Bank
- Larry Heath
Intercontinental Exchange
- Harvey Flax
International Swaps and Derivatives Association
- Ann Battle
JP Morgan Chase & Co.
- Alice Wang
JP Morgan Chase & Co.
- Emilio Jimenez
JP Morgan Chase & Co.
- John Van Etten
JP Morgan Chase & Co.
- Andrew Gray
KKR
- Tal Reback
<table>
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<tr>
<th>Institution</th>
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<tr>
<td>Loan Syndications and Trading Association</td>
<td>Meredith Coffey</td>
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<td>Alex Strickler</td>
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<td>Joseph Demetrick</td>
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<td>Tom Wipf</td>
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<td>Paige Mandy</td>
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<td>Tom Deas</td>
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<td>Pacific Investment Management Company</td>
<td>Jerry Woytash</td>
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<td>Securities Industry and Financial Markets Association</td>
<td>Chris Killian</td>
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<td>Rob Toomey</td>
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<td>Structured Finance Association</td>
<td>Jennifer Earyes</td>
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<td>Greg Moore</td>
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<td>U.S. Chamber of Commerce</td>
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<td>Alexis Pederson</td>
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<td>Donald Sinclair</td>
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<td><strong>Ex-Officio ARRC Members</strong></td>
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<tr>
<td>Commodity Futures Trading Commission</td>
<td>Alicia Lewis</td>
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<tr>
<td>Consumer Financial Protection Bureau</td>
<td>Abhishek Agarwal</td>
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<td>Federal Deposit Insurance Corporation</td>
<td>Irina Leonova</td>
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<td>Federal Housing Finance Agency</td>
<td>Daniel Coates</td>
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<td>Diego Leguizamon</td>
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<td>Jon Blaha</td>
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New York State Department of Financial Services  
Office of the Comptroller of the Currency  
Office of the Comptroller of the Currency  
U.S. Department of Housing and Urban Development  
U.S. Securities and Exchange Commission  
U.S. Securities and Exchange Commission  
U.S. Treasury  
U.S. Treasury  
U.S. Treasury  
U.S. Treasury  
U.S. Treasury  
U.S. Treasury

Observers
BNP Paribas  
Bank of Canada  
Brunswick  
Cadwalader  
Equitable  
London Stock Exchange  
Morgan Lewis  
State Street  
Venerable

Steven Kluger  
Ang Middleton  
Kevin Walsh  
Maria Chelo De Venecia  
Jason Leung  
Michelle Danis  
Daniel Harty  
Sally Au-Yeung  
Dini Ajmani  
Brian Smith  
Fatima Madhany  
Joshua Frost  
Simon Winn  
Sheryl King  
Jeanmarie McFadden  
Lary Stromfeld  
Ashwin Krishna  
Milton Brown  
Jon Roellke  
Scott Longo  
Charles Schwartz

*This meeting was held via WebEx; asterisk indicates participation by dial-in.
### Overall:
The LIBOR Transition is progressing:
- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

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### Derivatives:
The LIBOR Transition is progressing:
- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

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**ARRC Sentiment Survey - Responses Overview**

*For discussion purposes only*

**Business Loans:**
The LIBOR Transition is progressing:
- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

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**Consumer Loans:**
The LIBOR Transition is progressing:
- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

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<td>a:</td>
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<td>b:</td>
<td>23.1%</td>
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ARRC Sentiment Survey - Responses Overview

Floating Rates Notes:
The LIBOR Transition is progressing:
  a. Smooth
  b. Generally smooth, working through some obstacles
  c. Significant obstacles

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Securitizations:
The LIBOR Transition is progressing:
  a. Smooth
  b. Generally smooth, working through some obstacles
  c. Significant obstacles

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**ARCC Sentiment Survey - Responses Overview**

**Key Messages:**
- Overall, continued positive momentum - 100% of respondents indicated the transition overall is progressing smoothly or generally smoothly into 2022.
  - No meaningful change in sentiment regarding most asset classes. Nearly all respondents kept their assessments little changed from prior survey responses.

**Areas Highlighted by Respondents:**
- Remain very similar to areas highlighted in the January 2022 survey results. Areas of focus include:
  - Securitizations – limited securitizations referencing SOFR, expected to increase
    - ABS market reliance on LIBOR
  - Constant maturity swaps referencing LIBOR
    - Continued CMS-linked issuance; less awareness for remediation need of legacy CMS products
  - Remediation of legacy contracts
    - Slow progress; feasibility/cost/operational considerations
  - Emerging Market/Developing Market cross-currency swaps
    - Client requests for LIBOR cross-currency swaps
    - Limited liquidity in certain SOFR cross-currency swaps