

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

Loan Syndications and Trading Association
MetLife
MetLife
MetLife
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
Pacific Investment Management Company
PNC
PNC
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
Securities Industry and Financial Markets Association
Structured Finance Association
TD Bank
TD Bank
U.S. Chamber of Commerce
Wells Fargo
Wells Fargo
World Bank

Meredith Coffey
Alex Strickler
Joseph Demetrick
William Ding
Tom Wipf
Paige Mandy
Tom Deas
Jerry Woytash
Alexander Spiro
Andrew Wilson
Chris Mcalister
Gary Horbacz
Chris Killian
Rob Toomey
Jennifer Earyes
Priya Misra
Greg Moore
Kristen Malinconico
Brian Grabenstein
Alexis Pederson
Donald Sinclair

Ex-Officio ARRC Members

Commodity Futures Trading Commission
Consumer Financial Protection Bureau
Federal Deposit Insurance Corporation
Federal Housing Finance Agency
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
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Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Ginnie Mae
Ginnie Mae
Ginnie Mae

Alicia Lewis
Abhishek Agarwal
Irina Leonova
Daniel Coates
Pooja Gupta
Nathaniel Wuerffel
Raymond Check
Justine Hansen
Mari Baca
Cam Fuller
Carolyn Windover
Sanika Shastri
Darren Gersh
David Bowman
Evan Winerman
Jeffrey Huther
Cody Gaffney
Erik Heitfield
Michael Nardacci
Diego Leguizamon
Jon Blaha

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.

Appendix A

ARRC Sentiment Survey - Responses Overview

For discussion purposes only

Overall:

The LIBOR Transition is progressing:

- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

Responses	March 2022 (18 responses)
a:	27.8%
b:	72.2%
c:	0.0%

Derivatives:

The LIBOR Transition is progressing:

- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

Responses	March 2022 (17 responses)
a:	52.9%
b:	41.2%
c:	5.9%

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

Responses	March 2022 (15 responses)
a:	20.0%
b:	80.0%
c:	0.0%

Consumer Loans:

The LIBOR Transition is progressing:

- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

Responses	March 2022 (13 responses)
a:	76.9%
b:	23.1%
c:	0.0%

ARRC Sentiment Survey - Responses Overview

For discussion purposes only

Floating Rates Notes:

The LIBOR Transition is progressing:

- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

Responses	March 2022 (14 responses)
a:	78.6%
b:	21.4%
c:	0.0%

Securitizations:

The LIBOR Transition is progressing:

- a. Smooth
- b. Generally smooth, working through some obstacles
- c. Significant obstacles

Responses	March 2022 (14 responses)
a:	14.3%
b:	78.6%
c:	7.1%

ARRC Sentiment Survey - Responses Overview

For discussion purposes only

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