

Alternative Reference Rates Committee (ARRC)

Minutes for the May 18, 2022 Meeting

The ARRC Chair welcomed participants to the virtual meeting. CME Group provided an overview of its [SOFR First for Options](#) initiative which aims to accelerate transition from Eurodollar options to SOFR options. The initiative includes a market-wide fee waiver for SOFR options in June and July, the addition of market making incentives, and sunsetting of certain Eurodollar options. ARRC members [welcomed](#) the initiative and Federal Reserve staff also thanked CME for their efforts and reiterated their support for this initiative.

Next, Federal Reserve staff provided an overview of the USD LIBOR transition using the charts provided in the [May 18 Meeting Readout](#), noting that the data shows that momentum in cash and derivative markets continues. In particular, SOFR swaps have accounted for about 80 percent of interest rate risk traded in the outright linear swaps market for the last 3 months and SOFR futures volumes and open interest continue to increase relative to Eurodollar futures and the overall short term interest rate (STIR) futures market. Staff provided an overview of the results of the most recent sentiment survey of ARRC members (see Appendix A for summary slides), where respondents noted the encouraging growth in SOFR futures and continued to characterize the LIBOR transition overall as progressing “smoothly” or “generally smoothly”.

The Legal Working Group then led a discussion of its proposed clarification on the role of the ARRC’s fallback recommendations now that Federal LIBOR legislation has superseded state legislation. The ARRC has updated its [FAQs](#) to reflect the fact that because the ARRC has no formal role under the Federal legislation, it does not intend to recommend benchmark replacement rates or conventions under the Federal legislation. The ARRC will, however, continue to publish information, as appropriate, including recommended fallbacks for all tenors of LIBOR, as it pertains to the ARRC’s recommended contract fallback language.

The Market Structure and Paced Transition Working Group provided an update on its proposal for 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 after June 30, 2023. A small number of changes had been made in line with the feedback previously received from ARRC members. ARRC members were asked to provide any further feedback on the proposed ARRC Recommendation prior to its [publication](#).

The Operations/Infrastructure Working Group provided an update on their ongoing work to facilitate effective and efficient communication of rate changes in LIBOR contracts following the June 30, 2023 end of USD LIBOR as a panel-based rate. The Group has engaged with a number of stakeholders to gain insights and feedback on its proposed solution.

The Term Rate Task Force overviewed its review of the 12-month CME Term SOFR for the ARRC's consideration. Similar to its process before formally recommending 1-, 3-, and 6-month CME Term SOFR in mid-2021, the ARRC conducted its evaluation of 12-month Term SOFR in a manner consistent with the [principles](#) and [indicators](#) it had established. Following the Term Rate Task Force update, ARRC members unanimously voted to approve the ARRC's [endorsement](#) of the CME 12-month Term SOFR rate, recommending that this rate be subject to the same limited scope of use as the ARRC recommended for the other CME Term SOFR rates, noting that it expected the 12-month rate to be used primarily for legacy LIBOR consumer products and trade and receivables finance.

The ARRC Chair invited any other business. LCH's [consultation](#) on the conversion of cleared USD LIBOR derivatives was noted and ARRC members were encouraged to engage with this consultation. The ARRC Chair ended the meeting by directing members to review and finalize the [May 18 Meeting Readout](#). The ARRC Chair then thanked everyone and reminded everyone of the next ARRC meeting to be held July 13th via WebEx.

Attendance at the May 18, 2022 Meeting*

ARRC Members

| | |
|---|----------------------|
| American Bankers Association | Hu Benton |
| American Bankers Association | Sayee Srinivasan |
| Association for Financial Professionals | Tom Hunt |
| Bank of America | Janet Choi |
| BlackRock | Jack Hattem |
| Bank of New York Mellon | Oliver Bader |
| Bank of New York Mellon | Jason Granet |
| Bank of New York Mellon | Jeanne Naughton-Carr |
| Citi | Luis Asturizaga |
| Citi | Peter Phelan |
| Citi | Rodrigo Fernandez |
| CME Group | Agha Mirza |
| Comerica Bank | Dave Shipka |
| CRE Finance Council | Sairah Burki |
| CRE Finance Council | Raj Aidasani |
| Deutsche Bank | Kayam Rajaram |
| Equitable Life | Julien Zusslin |
| Fannie Mae | Robert Ives |
| Fannie Mae | Wells Engledow |
| Federal Home Loan Bank of New York | Rei Shinozuka |
| Federal Home Loan Bank of New York | Philip Scott |
| Ford | Jason Behnke |
| Freddie Mac | Ameez Nanjee |
| Freddie Mac | Guim Barbour |
| Freddie Mac | Allan Krinsman* |
| GE | Mike Taets |
| GE | Fred Robustelli |
| Goldman Sachs | Richard Chambers |
| Goldman Sachs | Tejal Wadhvani |
| Goldman Sachs | Guillaume Helie |
| Government Finance Officers Association | Emily Brock |
| Government Finance Officers Association | Patrick McCoy |
| 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 |

KKR
London Clearing House
Loan Syndications and Trading Association
MetLife
MetLife
MetLife
Morgan Stanley
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
PIMCO
PNC
PNC
Prudential Financial
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
Structured Finance Association
Structured Finance Association
TD Bank
TD Bank
U.S. Chamber of Commerce
Wells Fargo
Wells Fargo
World Bank

Tal Reback
Phil Whitehurst
Meredith Coffey
Joseph Demetrick
William Ding
Alex Strickler
Paige Mandy
Tom Wipf
Maria Douvas
Tom Deas
Jerry Woytash
Alex Spiro
Andrew Wilson
Gary Horbacz
Jason Pan
Chris McAlister
Chris Killian
Jen Earyes
Kristi Leo
Priya Misra
Greg Moore
Kristen Malinconico
Alexis Pederson
Brian Grabenstein
Don Sinclair

Ex-Officio ARRC Members

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

Alicia Lewis
Abhishek Agarwal
Irina Leonova
Daniel Coates
Muna Sisay
Pooja Gupta
Sophie Legrand-Green
Jamie Pfeifer*
Nathaniel Wuerffel
Carolyn Windover
Justine Hansen
Raymond Check
Mari Baca
Scott Sherman
Will Riordan

Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Ginnie Mae
Office of Financial Research
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

Darren Gersh
Jeffrey Huther
David Bowman
Carol Vilsack
Jay Kahn
Ang Middleton
Kevin Walsh
Maria Chelo De Venecia
Robert Errett
Michelle Danis
Sally Au Yeung
Fatima Madhany
Daniel Harty

Observers

Bank of Canada
Blackrock
BNP Paribas
Brunswick Group
Brunswick Group
Brunswick Group
Cadwalader
Deloitte
Depository Trust & Clearing Corporation
Morgan Lewis
State Street
Venerable

Sheryl King
Alexander Krol
Simon Winn
Nathan Kline
Patrick Rutherford
Pauline Blondiaux
Lary Stromfeld
Alexey Surkov
Ann Marie Bria
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 | May 2022 (14 responses) |
|-----------|----------------------------|
| a: | 28.6% |
| b: | 71.4% |
| c: | 0.0% |

Derivatives:

The LIBOR Transition is progressing:

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

| Responses | May 2022 (13 responses) |
|-----------|----------------------------|
| a: | 53.8% |
| b: | 46.2% |
| c: | 0.0% |

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 | May 2022 (11 responses) |
|-----------|----------------------------|
| a: | 18.2% |
| b: | 81.8% |
| c: | 0.0% |

Consumer Loans:

The LIBOR Transition is progressing:

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

| Responses | May 2022 (9 responses) |
|-----------|---------------------------|
| a: | 55.6% |
| b: | 44.4% |
| 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 | May 2022 (10 responses) |
|-----------|----------------------------|
| a: | 70.0% |
| b: | 30.0% |
| c: | 0.0% |

Securitizations:

The LIBOR Transition is progressing:

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

| Responses | May 2022 (11 responses) |
|-----------|----------------------------|
| a: | 9.1% |
| b: | 81.8% |
| c: | 9.1% |

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 classes¹. Respondents largely kept their assessments little changed from prior survey responses.

Areas Highlighted by Respondents:

- Remain very similar to areas highlighted in the [March 2022 survey results](#). Areas of focus include:
 - Federal Reserve rule-making process and determination of replacement benchmark rate per the federal LIBOR legislation
 - Remediating USD LIBOR contracts governed under non-US law
 - Very encouraging progress in SOFR futures
 - Growth in SOFR options but more needed; CME's SOFR First for Options anticipated to support progress
 - Remediation of legacy contracts
 - Relatively slow but activity has picked-up in the second quarter

¹ Any apparent changes mainly due to differences in respondent composition between surveys rather than a shift in sentiment.