Alternative Reference Rates Committee (ARRC)

Minutes for the November 9, 2022 Meeting

The ARRC Chair welcomed participants to the hybrid meeting and introduced Michael Barr, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, who delivered remarks regarding progress in the transition away from USD LIBOR. Similar to his remarks at the December meeting of the Financial Stability Oversight Council, Vice Chair Barr highlighted the importance of proactively remediating legacy LIBOR contracts ahead of June 2023 in order to avoid the potential pile-up of LIBOR contracts to be addressed after June 2023 and the need to limit Term SOFR usage outside of the business loan market in line with the ARRC’s best practices recommendations in order to avoid risks to financial stability. Vice Chair Barr thanked ARRC members for their efforts throughout the decade long LIBOR transition process and emphasized the importance of not recreating the issues that afflicted LIBOR going forward.

Federal Reserve staff then provided an overview of the USD LIBOR transition, using the charts provided in the November 9 Meeting Readout. Staff noted that the transition away from LIBOR to SOFR continues to progress strongly in 2022, with SOFR as the predominant rate across both cash and derivatives markets. In particular, SOFR swaps have accounted for more than 90 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market over the last two months while LIBOR swaps have further declined to less than 4 percent of the overall volume in October. In exchange-traded markets, average daily SOFR futures volumes have been nearly three times that of average daily Eurodollar futures volumes since July. Within cash products, almost all new debt, mortgage, and syndicated lending have also been based on SOFR.

Staff then provided an overview of the results of the most recent sentiment survey of ARRC members (see Appendix A for summary slides), where respondents continued to characterize the LIBOR transition overall as progressing “smoothly” or “generally smoothly”.

Next, Federal Reserve staff highlighted the public release of a summary of the results of its Loan Remediation Survey. Overall, the results reflected encouraging transition planning and progress in the business loans space but reinforced the need for timely action. It was noted that while most respondents expressed plans to actively transition their LIBOR loans to SOFR, rather than rely on legacy fallbacks at cessation, over half of lenders noted that most of their LIBOR loans may not be ready to transition until the end of Q2 2023 or later, with almost 15 percent expecting their loans to transition post LIBOR cessation. Additionally, in contrast to borrowers who reported a high level of engagement with lenders, most syndicated lenders indicated that either they had not been contacted by an agent or they had received no or few amendments. The ARRC discussed conducting another loan
remediation survey in early Q1 2023, which will seek to gauge progress made on remediation plans.

While discussing the results, ARRC members echoed the findings from the survey, noting the need for a strong pick-up in the pace of LIBOR loan remediation activity in order to avoid the risk of a pile up in June 2023. In particular, some members pointed out that the market may be underestimating the declining liquidity in LIBOR as well as the consequent operational challenges from trying to execute numerous amendments in a compressed time frame which could impede timely contract settlements.

The Operations/Infrastructure Working Group provided an update on its work on a solution that can facilitate effective and efficient communication of rate changes in LIBOR contracts following June 30, 2023. Working with DTCC, requirements have been gathered to expand the existing LENS system so that agents, trustees and issuers can upload transition related changes via a standard term sheet. Testing will begin in November, with a target to deploy changes in Q1 2023. The group is also collaborating with DTCC to create a centralized LIBOR transition site to house documents on how the use the new tool, FAQ’s and additional LIBOR transition background information.

Next, the ARRC agreed that following the publication of the Board of Governor’s final rules under the LIBOR Act, the ARRC should consider whether any conforming changes should be made to ARRC recommendations.

The Term Rate Task Force then provided an update on its discussions around its existing ARRC best practice recommendations on the scope of use of Term SOFR, which were guided by the principles set out by the ARRC and are in line with guidance issued by the Financial Stability Board. Some members of the ARRC expressed concern about some recent trends, such as securitizations using Term SOFR when they did not have underlying Term SOFR assets, that were outside the scope of the ARRC’s best practice recommendations. The ARRC discussed the risks associated with widespread use of Term SOFR outside of the limited and targeted recommendations suggested by the ARRC as best practice, which have been carefully calibrated to ensure the robustness and sustainability of the rate itself over time and to avoid the same vulnerabilities inherent in LIBOR in an effort to mitigate risks to financial stability. The ARRC reiterated its existing best practice recommendations and plans to continue to discuss and follow the use of Term SOFR as part of its ongoing work related to Term SOFR’s recommended scope of use.

The ARRC Chair ended the meeting by directing members to review and finalize the November 9 Meeting Readout. The ARRC Chair then thanked the members and noted that the next ARRC meeting will be held in early 2023.
Attendance at the November 9, 2022 Meeting*

**ARRC Members**

American Bankers Association  
American Bankers Association  
Association for Financial Professionals  
Bank of America  
Bank of America  
Bank of New York Mellon  
Bank of New York Mellon  
Bank of New York Mellon  
BlackRock  
Citigroup  
Citigroup  
Citigroup  
CME Group  
Comerica  
CRE Finance Council  
CRE Finance Council  
Equitable Life  
Fannie Mae  
Fannie Mae  
Federal Home Loan Bank of New York  
Federal Home Loan Bank of New York  
Ford  
Freddie Mac  
Freddie Mac  
Freddie Mac  
Freddie Mac  
Goldman Sachs  
Goldman Sachs  
Goldman Sachs  
Government Finance Officers Association  
Government Finance Officers Association  
HSBC  
Huntington National 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*  
Sayee Srinivasan*  
Tom Hunt*  
Janet Choi*  
Sonali Theisen*  
Oliver Bader  
Jeanne Naughton-Carr  
Jack Hattem  
Peter Phelan  
Luis Asturizaga  
Rodrigo Fernandez*  
Agha Mirza  
Stasie Kostova*  
Lisa Pendergast*  
Raj Aidasani*  
Julien Zusslin*  
Robert Ives*  
Wells Engledow*  
Rei Shinozuka  
Kyle Lynch*  
Jason Behnke*  
Ameez Nanjee*  
Guim Barbour*  
Allan Krinsman*  
Karen Pilewski*  
Richard Chambers*  
Guillaume Helie  
Tejal Wadhwani*  
Emily Brock*  
Cindy Harris*  
Shirley Hapangama  
Larry Heath*  
Christopher Cole*  
Harvey Flax  
Tim Bowler  
Ann Battle  
Alice Wang  
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
Securities Industry and Financial Markets Association
TD Bank
U.S. Chamber of Commerce
Wells Fargo
World Bank

Tal Reback*
Phil Whitehurst*
Ellen Hefferan*
Joseph Demetrick*
William Ding*
Alex Strickler*
Tom Wipf
Maria Douvas-Orme*
Matt Ochs
Tom Deas*
Andrei Wagner*
Alexander Spiro*
Andrew Wilson*
Chris McAlister
Chris Killian*
Priya Misra
Kristen Malinconico*
Alexis Pederson
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
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 Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Ginnie Mae
Ginnie Mae
Office of the Comptroller of the Currency

Alicia Lewis*
Abhishek Agarwal*
Irina Leonova*
Daniel Coates
Muna Sisay*
Pooja Gupta
Sophie Legrand-Green
Jamie Pfeifer
Nathaniel Wuerffel
Justine Hansen*
Jason Friedman*
Mari Baca*
Scott Sherman*
Michael Barr*
Jeffrey Huther*
David Bowman
Darren Gersh*
Carol Vilsack*
Diego Leguizamon*
Kevin Walsh*
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. Securities and Exchange Commission
U.S. Treasury
U.S. Treasury
U.S. Treasury
U.S. Treasury

Observers
Bank of Canada
BlackRock
BNP Paribas
Cadwalader
Deloitte
Morgan Lewis
State Street

Ang Middleton*
Maria Chelo De Venecia*
Michelle Danis*
Jason Leung*
Robert Errett*
Sally Au Yeung*
Dini Ajmani*
Fatima Madhany*
Daniel Harty*

Observers
Bank of Canada
BlackRock
BNP Paribas
Cadwalader
Deloitte
Morgan Lewis
State Street

Sheryl King
Alexander Krol*
Simon Winn
Lary Stromfeld
Alexey Surkov*
Jon Roellke*
Scott Longo*

*Indicates virtual participation.
### ARRRC Sentiment Survey - Responses Overview

#### Overall:
The LIBOR Transition is progressing:

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

#### 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

**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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**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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ARRC 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.
  • 2 respondents downgraded their ratings for FRNs citing complexity of remediation and current market conditions causing a slowdown in remediation activity outside the US.
  • The majority of respondents kept their assessments little changed from prior survey responses.

Areas Highlighted by Respondents:

• Remain similar to areas highlighted in the September 2022 survey results. Areas of focus include:
  • Federal Reserve rule-making process and determination of replacement benchmark rate per the federal LIBOR legislation
  • Monitoring FCA’s Consultation on synthetic LIBOR.
  • Remediation of legacy cash products: relatively slow noting current rate environment.
  • Transition efforts in respect of USD LIBOR ICE Swap Rate.
  • Usage of Term SOFR in derivatives market.