Alternative Reference Rates Committee (ARRC)

Minutes for the June 22, 2023 Meeting

The ARRC Chair welcomed participants to the virtual meeting and turned the floor over to Federal Reserve staff for the first order of business. ARRC members, in consultation with the Federal Reserve, unanimously approved the designation of Peter Phelan as the ARRC Chair, effective July 1, to oversee the conclusion of the ARRC’s nearly decade long LIBOR transition efforts. Peter Phelan is Chief Administrative Officer of the Institutional Clients Group in North America at Citigroup and will succeed Tom Wipf, Vice Chair at Morgan Stanley, who has deftly served as ARRC Chair since 2019 through a uniquely demanding transition period that will be capped next week with the end of the U.S. LIBOR panels on June 30.

The ARRC Chair then kicked off a discussion on overall transition-related progress and issues observed in the market in the lead up to June 30, referencing the charts in the June 22 Meeting Readout. ARRC members indicated that the transition away from LIBOR to SOFR continued to progress strongly into 2023, with SOFR as the predominant rate across both cash and derivatives markets. Staff from Loan Syndications and Trading Association (LSTA) also noted an acceleration in the pace of remediation of leveraged loans, one of the key remaining market segments which was needed to transition away from LIBOR ahead of June 30. LSTA indicated that around 40 percent of institutional loans had already transitioned as of May, with that percentage likely increasing significantly once loans reach their next rate reset date around or following June 30. While the majority of LIBOR-linked Collateralized Loan Obligations (CLOs) have not yet reached the 50 percent threshold of underlying loans transitioning away from LIBOR, where the CLO itself would then also become eligible to transition away from LIBOR, most CLO notes have been prepared to transition on or around June 30, according to a major trustee (see slides in Appendix A). Other ARRC members shared similar assessments regarding the progress in leveraged loan remediation.

The Operations/Infrastructure Working Group provided an update on its work on the DTCC LIBOR Replacement Index Communication Tool aimed at facilitating effective and efficient communication of rate changes in LIBOR contracts following June 30, 2023. For U.S.-issued securities, the ARRC recommends that all determining persons, agents, and other parties responsible for disseminating information use this system for communicating rate/conforming changes. In terms of usage of the tool thus far, it was estimated that information on roughly 3/4 of outstanding LIBOR USD CUSIPs governed under U.S. law have

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1 For reference, DTCC offers a centralized LIBOR transition site that houses documents on how to use the new tool, FAQ’s, and additional LIBOR transition background information. Additionally, on 5/24, the ARRC hosted a webinar titled “Using the DTCC LIBOR Replacement Index Communication Tool to Support the Transition Away from USD LIBOR” to help encourage additional use of the tool. A recording of the webinar can be found here and presentation slides here.
been entered in the Communication Tool, but that a remaining 1/4 of CUSIPs still needed to have rate-change information entered. A majority of contracts are expected to have their next coupon rate resets occur in July so use of the tool throughout July will be important for communicating these rate changes.

Next, the Regulatory Issues Working Group provided an update on their engagement with the Commodity Futures Trading Commission (CFTC) pre-trade mid-mark obligations for SOFR Swaps and regulatory transaction reporting required in relation to the cessation of the USD LIBOR panel on June 30, 2023. The ARRC submitted the no-action relief request letter to the CFTC on June 14.

The ARRC Chair ended the meeting by requesting members to review and finalize the June 22 Meeting Readout. The ARRC Chair then thanked the members and noted that the next ARRC meeting will be held on July 31.
Attendance at the June 22, 2023 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
BlackRock
Citigroup
Citigroup
Citigroup
CME Group
Comerica
CRE Finance Council
CRE Finance Council
Fannie Mae
Fannie Mae
Federal Home Loan Bank of New York
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
Government Finance Officers Association
Government Finance Officers Association
HSBC
HSBC
Huntington National Bank
Intercontinental Exchange
International Swaps and Derivatives Association
JP Morgan Chase & Co.
JP Morgan Chase & Co.
JP Morgan Chase & Co.
KKR
London Clearing House

Hu Benton
Sayee Srinivasan
Tom Hunt
Janet Choi
Sonali Theisen
Jason Granet
Jeanne Naughton-Carr
Jack Hattem
Peter Phelan
Luis Asturizaga
Rodrigo Fernandez
Agha Mirza
Mathew Cornish
Lisa Pendergast
Raj Aidasani
Robert Ives
Wells Engledow
Rei Shinozuka
Philip Scott
Vikram Dongre
Jason Behnke
Ameez Nanjee
Guim Barbour
Allan Krinsman
Karen Pilewski
Guillaume Helie
Tejal Wadhwani
Cindy Harris
Emily Brock
Kelli Keenan
Neil Middleton
Larry Heath
Harvey Flax
Ann Battle
Alice Wang
Emilio Jimenez
Keith Stephan
Tal Reback
Phil Whitehurst
Loan Syndications and Trading Association
Loan Syndications and Trading Association
MetLife
MetLife
Morgan Stanley
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
PNC
PNC
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
Structured Finance Association
TD Bank
U.S. Chamber of Commerce
Wells Fargo
Wells Fargo
World Bank
Tess Virmani
Meredith Coffey
Joseph Demetrick
Alex Strickler
Tom Wipf
Maria Douvas-Orme
Matt Ochs
Tom Deas
Alexander Spiro
Andrew Wilson
Gary Horbacz
Chris McAlister
Chris Killian
Kristi Leo
Sumant Gupta
Kristen Malinconico
Alexis Pederson
Jessica Murphy
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
Ginnie Mae
Ginnie Mae
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. Securities and Exchange Commission
Alicia Lewis
Abhishek Agarwal
Irina Leonova
Jim Winning
Muna Sisay
Pooja Gupta
Jamie Pfeifer
Justine Hansen
Mari Baca
Betsy Bourassa
Sophie Legrand-Green
David Bowman
Diego Leguizamon
Carol Vilsack
Kevin Walsh
Ang Middleton
Maria Chelo De Venecia
Michelle Danis
Jason Leung
Kim McManus
<table>
<thead>
<tr>
<th>Organization</th>
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<tbody>
<tr>
<td>U.S. Treasury</td>
<td>Eli Martin</td>
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<td>Bank of Canada</td>
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<td>Morgan Stanley</td>
<td>Maria Ines Raij</td>
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<td>State Street</td>
<td>Scott Longo</td>
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*This meeting was held via WebEx; asterisk indicates participation by dial-in.*
LIBOR Transition: June 22, 2023
Leveraged Loan/CLO LIBOR Remediation: Where We Stood at the End of May

- Outstanding loans and CLOs are transitioning from LIBOR to SOFR
- We are further along than the data indicate; estimates are that over 40% of institutional loans have transitioned, but a number have not yet hit the end of the LIBOR interest rate contract period (so they still reference LIBOR)
- CLO note data is lagged and, according to a major trustee, while the large majority of LIBOR CLOs are not yet eligible to transition, most have prepared their CLO notes to transition on or around June 30th

*Note: Data may be somewhat lagged
LIBOR Remediation: Bank Crisis Slowed Organic SOFR Refinancings, but Fallback Amendments Accelerating

- Amendment fallback activity continues to accelerate
- More than $190B of LIBOR fallback amendments tracked so far in June

1 “Fallback Amendment” refers to reference rate change occurring via fallback.
More than 1/3 of outstanding LIBOR Loans have hardwired fallbacks and more than 10% have ARRC Amendment Fallback language. Both of these forms of fallback will trigger transition when FCA declares LIBOR unrepresentative.

Less than 10% do not have succession language (and would go to ABR or potentially synthetic LIBOR)