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.[1] 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

[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	Hu Benton
American Bankers Association	Sayee Srinivasan
Association for Financial Professionals	Tom Hunt
Bank of America	Janet Choi
Bank of America	Sonali Theisen
Bank of New York Mellon	Jason Granet
Bank of New York Mellon	Jeanne Naughton-Carr
BlackRock	Jack Hattem
Citigroup	Peter Phelan
Citigroup	Luis Asturizaga
Citigroup	Rodrigo Fernandez
CME Group	Agha Mirza
Comerica	Mathew Cornish
CRE Finance Council	Lisa Pendergast
CRE Finance Council	Raj Aidasani
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
Federal Home Loan Bank of New York	Vikram Dongre
Ford	Jason Behnke
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour
Freddie Mac	Allan Krinsman
Freddie Mac	Karen Pilewski
Goldman Sachs	Guillaume Helie
Goldman Sachs	Tejal Wadhwani
Government Finance Officers Association	Cindy Harris
Government Finance Officers Association	Emily Brock
HSBC	Kelli Keenan
HSBC	Neil Middleton
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.	Keith Stephan
KKR	Tal Reback
London Clearing House	Phil Whitehurst

Loan Syndications and Trading Association	Tess Virmani
Loan Syndications and Trading Association	Meredith Coffey
MetLife	Joseph Demetrick
MetLife	Alex Strickler
Morgan Stanley	Tom Wipf
Morgan Stanley	Maria Douvas-Orme
Morgan Stanley	Matt Ochs
National Association of Corporate Treasurers	Tom Deas
PNC	Alexander Spiro
PNC	Andrew Wilson
Prudential Financial	Gary Horbacz
Prudential Financial	Chris McAlister
Securities Industry and Financial Markets Association	Chris Killian
Structured Finance Association	Kristi Leo
TD Bank	Sumant Gupta
U.S. Chamber of Commerce	Kristen Malinconico
Wells Fargo	Alexis Pederson
Wells Fargo	Jessica Murphy
World Bank	Don Sinclair

Ex-Officio ARRC Members

Commodity Futures Trading Commission	Alicia Lewis
Consumer Financial Protection Bureau	Abhishek Agarwal
Federal Deposit Insurance Corporation	Irina Leonova
Federal Housing Finance Agency	Jim Winning
Federal Housing Finance Agency	Muna Sisay
Federal Reserve Bank of New York	Pooja Gupta
Federal Reserve Bank of New York	Jamie Pfeifer
Federal Reserve Bank of New York	Justine Hansen
Federal Reserve Bank of New York	Mari Baca
Federal Reserve Bank of New York	Betsy Bourassa
Federal Reserve Bank of New York	Sophie Legrand-Green
Federal Reserve Board of Governors	David Bowman
Ginnie Mae	Diego Leguizamon
Ginnie Mae	Carol Vilsack
Office of the Comptroller of the Currency	Kevin Walsh
Office of the Comptroller of the Currency	Ang Middleton
U.S. Department of Housing and Urban Development	Maria Chelo De Venecia
U.S. Securities and Exchange Commission	Michelle Danis
U.S. Securities and Exchange Commission	Jason Leung
U.S. Securities and Exchange Commission	Kim McManus

U.S. Treasury	Eli Martin
U.S. Treasury	Josh Frost

Observers

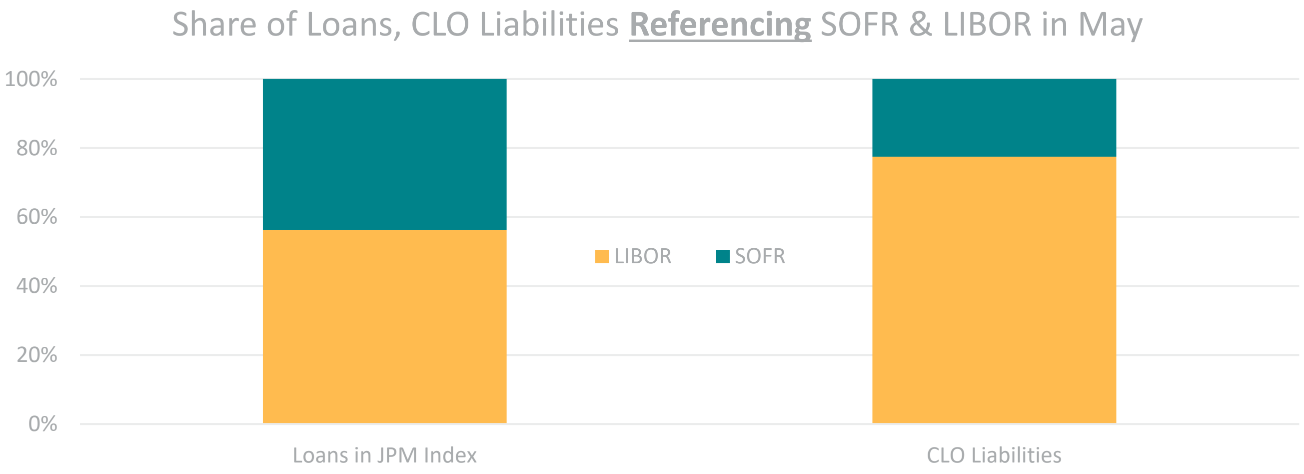
Bank of Canada	Sheryl King
BlackRock	Alexander Krol
BNP Paribas	Simon Winn
Cadwalader	Lary Stromfeld
Morgan Lewis	Jon Roellke
Morgan Stanley	Maria Ines Raij
State Street	Scott Longo

*This meeting was held via WebEx; asterisk indicates participation by dial-in.

Appendix A

LIBOR Transition: June 22, 2023

Leveraged Loan/CLO LIBOR Remediation: Where We Stood at the End of May



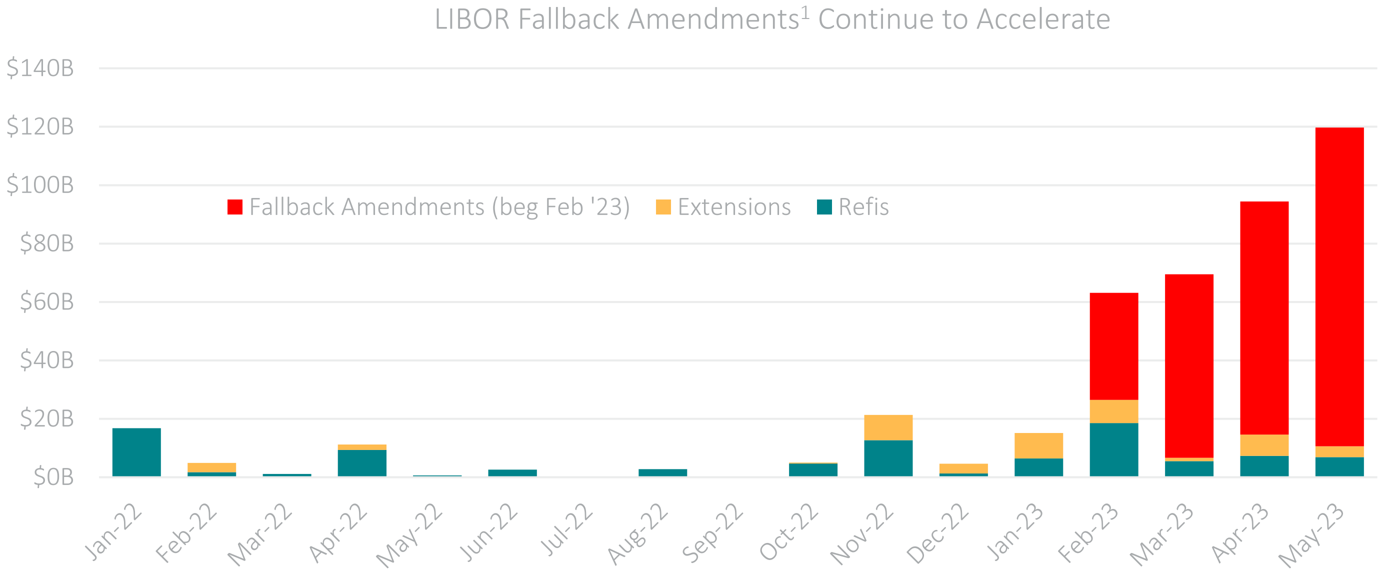
- Outstanding loans and CLOs are transitioning from LIBOR to SOFR
- We are further along than the data indicate; estimates are that over 40% of institutional loans have transitioned, but a number have not yet hit the end of the LIBOR interest rate contract period (so they still reference LIBOR)
- CLO 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*

Source: JP Morgan

LSTA

LIBOR Remediation: Bank Crisis Slowed Organic SOFR Refinancings, but Fallback Amendments Accelerating

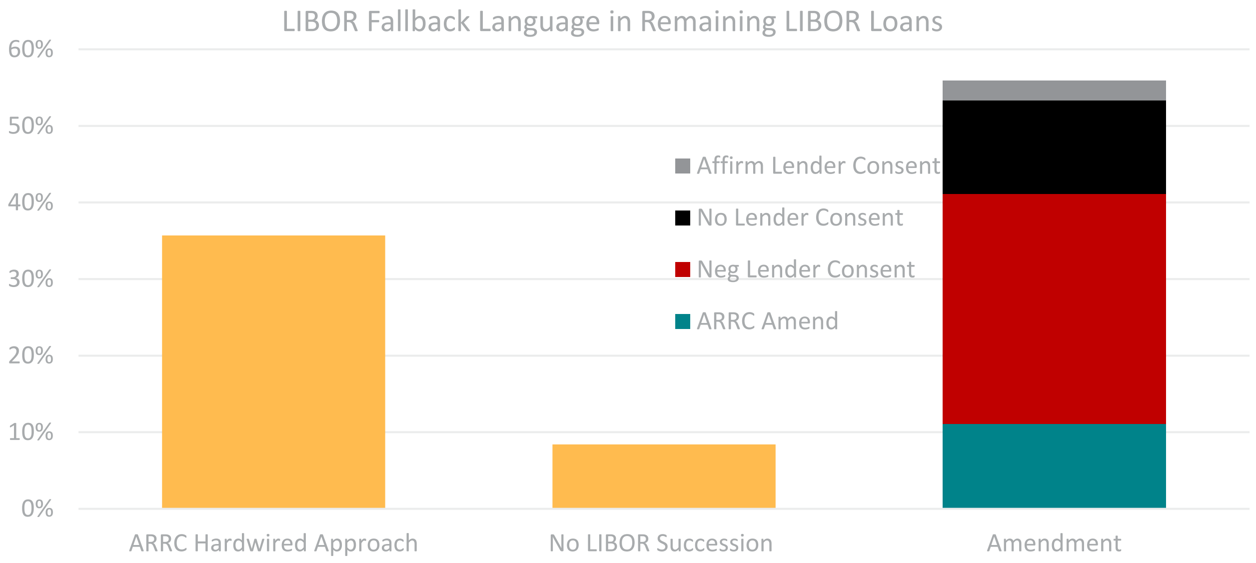


Source: LevFin Insights

- 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.*

Fallback Language in Remaining LIBOR Loans in CS Index (May 2023)



- 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)

Source: LevFin Insights, CS Index

LSTA