Alternative Reference Rates Committee (ARRC)

Minutes for the March 9, 2023 Meeting

The ARRC Chair welcomed participants to the hybrid meeting. Federal Reserve staff then provided an overview of the USD LIBOR transition, using the charts provided in the March 9 Meeting Readout. Staff noted that the transition away from LIBOR to SOFR continues to progress strongly into 2023, with SOFR as the predominant rate across both cash and derivatives markets. Staff also provided an overview of the latest results of the updated 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, LCH and CME Group gave updates on their upcoming conversion events to transition outstanding USD LIBOR cleared swaps contracts into SOFR OIS equivalents on a cash compensated basis. LCH noted that it is planning to convert swaps in 2 tranches: the first will be conducted on April 22 and the second on May 20. Further details of the conditions and for the intra-day conversion process applicable after the second event are available to LCH customers in “Operational Considerations” materials available at LCH’s Knowledge Centre. CME Group indicated that its OTC swap conversion event is scheduled to take place on April 21. CME Group will also convert all eligible Eurodollar futures and options under its fallback rules to SOFR equivalent contracts on April 14 as described in Transitioning from Eurodollar futures and options to SOFR - FAQ - CME Group. More broadly, it was noted that market participants should be aware of the LCH/CME conversion dates even if they are not involved in trading these instruments as they may have internal systems that may currently depend on use of LIBOR futures or swaps prices, for example to construct interest rate curves. The ARRC thanked LCH and CME Group for their proactive approaches to these key transition milestones.

The ARRC then discussed the various selections and recommendations the ARRC needed to make as a “Relevant Governmental Body” in order for market participants to implement the contractual provisions in the ARRC’s hardwired fallback language. In particular, the hardwired language requires verification by the ARRC acting as a “relevant governmental body” of certain recommendations made under it, including: 1) the ARRC’s selection or recommendation of a forward-looking SOFR term rate as a replacement for LIBOR for a given cash product; 2) the ARRC’s recommendations of spread adjustments; and 3) the ARRC’s recommendations of replacement indexes for use in consumer LIBOR products. The ARRC reviewed a document summarizing its selections and recommendations related to its hardwired fallback language, which details the recommended benchmark replacement rates and recommended spread adjustments for various contract types across different tenors 1

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1 The document was subsequently finalized and published on the ARRC website.
under the hardwired fallback language in a consolidated manner. The ARRC noted that these recommendations match the Board-selected benchmark replacements specified in the Federal Reserve Board’s rule implementing the Adjustable Interest Rate (LIBOR) Act. The ARRC reiterated that its recommended spread adjustments were intended only for use in LIBOR contracts that fall back to SOFR and that they were not intended to apply to new contracts. The ARRC also noted that any use of the recommendations in contracts that have adopted an “amendment approach” rather than the ARRC’s hardwired fallback language would be at the discretion of the parties involved in the selection of a replacement rate, subject to the terms of the contract.

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. The ARRC recommends that all determining persons, agents, and other parties responsible for disseminating information use this system for communicating rate and conforming changes for securities currently referencing LIBOR. The tool moved into production on February 24 and the first notifications were received on February 27. The Working Group also continues to collaborate with DTCC to create a centralized LIBOR transition site to house documents on how to use the new tool, FAQ’s, and additional LIBOR transition background information.

The Regulatory Issues Working Group followed with an update on their engagement with the CFTC on 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 Working Group noted that they will provide any additional updates in due course.

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. The ARRC continues to assess the use of Term SOFR in relation to its recommended scope of use and guiding principles and discussed a draft paper presented that summarizes the ARRC’s best practice recommendations on the scope of use of Term SOFR.

The ARRC Chair ended the meeting by requesting members to review and finalize the March 9 Meeting Readout. The ARRC Chair then thanked the members and noted that the next ARRC meeting will be held virtually on April 20th.
Attendance at the March 9, 2023 Meeting*

**ARRC Members**
American Bankers Association
- Hu Benton*
- Sayee Srinivasan*
Bank of America
- Janet Choi*
- Oliver Bader
Bank of New York Mellon
- Jack Hattem
BlackRock
- Luis Asturizaga
Citigroup
- Rodrigo Fernandez*
CME Group
- Agha Mirza
Comerica
- Mathew Cornish*
CRE Finance Council
- Lisa Pendergast*
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
Federal Home Loan Bank of New York
- Kyle Lynch*
Freddie Mac
- Ameez Nanjee*
Freddie Mac
- Guim Barbour*
Freddie Mac
- Allan Krinsman*
Fannie Mae
- Mike Taets*
GE
- Guillaume Helie*
Goldman Sachs
- Emily Brock*
Government Finance Officers Association
- Cindy Harris
Government Finance Officers Association
- Kelli Keenan*
HSBC
- Neil Middleton
HSBC
- 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
- Tal Reback*
London Clearing House
- Phil Whitehurst*
Loan Syndications and Trading Association
- Meredith Coffey
MetLife
- Joseph Demetrick
MetLife
- Alex Strickler*
MetLife
- William Ding*
Morgan Stanley
- Tom Wipf
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
PIMCO
PNC
PNC
Prudential Financial
Securities Industry and Financial Markets Association
TD Bank
TD Bank
U.S. Chamber of Commerce
Wells Fargo
World Bank

Maria Douvas-Orme
Matt Ochs*
Tom Deas*
Jerry Woytash*
Alexander Spiro
Andrew Wilson*
Gary Horbacz*
Chris Killian*
Priya Misra
Sumant Gupta*
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
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
U.S. Securities and Exchange Commission
U.S. Treasury
U.S. Treasury

Alicia Lewis*
Abhishek Agarwal*
Irina Leonova*
Daniel Coates
Muna Sisay*
Pooja Gupta
Jamie Pfeifer
Nathaniel Wuerffel*
Justine Hansen*
Sophie Legrand-Green
Scott Sherman*
Megan Zirinsky*
Mari Baca*
Darren Gersh*
David Bowman*
Carol Vilsack*
Diego Leguizamon*
Kevin Walsh*
Ang Middleton*
Maria Chelo De Venecia*
Michelle Danis*
Jason Leung*
Catherine Brown*
Kim McManus*
Eli Martin*
Thomas Teles*
Observers
Bank of Canada
BNP Paribas
Cadwalader
Deloitte
Morgan Lewis
State Street

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

*Indicates virtual participation.
Overall: The LIBOR Transition is progressing:
   a) Smooth
   b) Generally smooth, working through some obstacles
   c) Significant obstacles

Key Messages:
• Overall, continued positive momentum - 100% of respondents indicated the transition overall is progressing smoothly or generally smoothly.

Areas Highlighted by Respondents:
• ARRC members noted the following areas of focus:
  • The need for more proactive transition, particularly of leveraged loans
  • The ARRC’s work recommending a limited scope of use of Term SOFR
  • Use of the DTCC’s LIBOR Replacement Index Communication Tool
  • Awaiting FCA announcements on synthetic LIBOR
  • Transition efforts in respect of USD LIBOR ICE Swap Rate
  • Upcoming CCP conversion events

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<th>Responses</th>
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<tr>
<td></td>
<td>(15 responses)</td>
</tr>
<tr>
<td>a:</td>
<td>40.0%</td>
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<tr>
<td>b:</td>
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