

## **Alternative Reference Rates Committee (ARRC)**

### **Minutes for the February 17, 2021<sup>1</sup> Meeting**

The ARRC Chair welcomed participants to the virtual meeting and thanked them for their continued diligence as the ARRC continues with virtual meetings.

Brunswick kicked off the meeting by presenting their 2021 Communications Plan including the goals and initiatives which they will be working on in the coming year. The ARRC Chair then followed up with a discussion of Brunswick's proposed fee structure for 2021 as well as certain other professional fees incurred by the ARRC and borne by its members.

Members of the Legal working group then provided an update on recent efforts concerning the ARRC's proposed transition legislation, which included the submission of various suggested technical amendments to the [proposed legislation](#) which had already been submitted to the New York State Governor's office. These technical amendments address the use of interpolation in the event certain LIBOR tenors are discontinued before others (as proposed in the recent IBA consultation) as well as other technical matters. As has been noted in previous meetings, though the ARRC's primary focus remains on New York State legislation, ARRC representatives also continue to engage with interested members of the United States Congress regarding the possibility of similar federal legislation to address legacy contracts.

The co-Chairs of the Business Loans working group provided an update on the work being done by the group to draft a simplified version of the recommended hardwired fallback language to reflect the potential results of the recent consultation by LIBOR's administrator.

The ARRC Chair then discussed the ARRC's 2021 objectives which are focused on, but not limited to, legislative efforts, outreach and education, and recommendations to promote operational readiness for, and progress in cash markets toward, the LIBOR transition. A discussion of the objective relating to the publication and scope of use of an ARRC-recommended term rate was tabled to be discussed later in the meeting after the necessary recusals had been made.

Next, the ARRC was provided with an update on a February 10<sup>th</sup> ARRC roundtable held with senior representatives of private equity firms to discuss common challenges for sponsors in approaching the LIBOR transition. The private equity firms emphasized their reliance on their bank partners for the transition and a desire for more communication from lenders on alternative to LIBOR lending products, which has also been a point expressed by non-financial

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<sup>1</sup> Note that given time constraints, a subsequent ARRC call was scheduled for March 4, 2021 from 5:00 PM – 6:00 PM to continue this meeting with further discussion of items #8 on the agenda (Term Rate RFP Update and Term Rate Discussion).

corporates. In addition, it was noted that private equity firms and non-financial corporates have highlighted dependencies and challenges for vendors who must make necessary system upgrades to support the transition. A further discussion was also had regarding how to best accelerate progress in transitioning loan products away from LIBOR in line with [recently issued US Supervisory Guidance](#).

ARRC members then received an update from Federal Reserve staff on the technical details related to its recommendations for a consumer spread adjustment methodology which were discussed at the last meeting. The final technical details of the ARRC's spread-adjustment proposals were expected to be released in the upcoming weeks.

Members who have recused themselves from the [Spread Adjustment RFP](#) work then dropped off the line ahead of an update on the RFP, which included a discussion of the RFP evaluation group's assessment of submitted proposals and responses to questions posed by ARRC members. It was noted that a formal recommendation will be sent to ARRC members in order to support the ARRC in finalizing the vendor selection.

The ARRC Chair then asked members who have recused themselves from the [Term Rate RFP](#) work to drop off the line ahead of an update on the RFP. The update included a brief discussion of the RFP evaluation group's initial impressions of the four proposals submitted by potential vendors and then turned to a discussion of potential key principles for defining the recommended scope of use for any term rate and sufficiency thresholds necessary to support any potential recommendation as set out in the RFP. ARRC members voiced a number of opinions regarding the need, desire, and appropriate timing for a potential ARRC-recommended forward-looking term SOFR rate. Members highlighted that the current state of liquidity in SOFR derivatives markets and slow movement away from LIBOR in bank lending presents a limitation on the ARRC's ability to develop a recommendation for, and thus a subsequent publication of, a forward-looking term rate by June 2021. Members proposed that an ARRC task force be formed to determine how best to move forward with the ARRC's work in this area, including work related to the recommended scope of use for a potential term rate, metrics to assess sufficiency thresholds to support a recommendation, and next steps for the RFP process. With this backdrop, and the [recent US Supervisory Guidance](#), in mind, members reiterated the importance of accelerating the transition away from USD LIBOR with the tools available now.

The ARRC Chair closed the meeting by thanking everyone and noting that the next ARRC meeting is scheduled to be held March 18<sup>th</sup> via Webex.

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In order to continue the discussion of the ARRC's work on a potential SOFR term rate, ARRC members who had not recused themselves from the [Term Rate RFP](#) work participated in a follow-up call on March 4, 2021. The ARRC Chair discussed the membership of the task force

formed to determine how best to move forward with the ARRC's work in this area, as discussed at the February ARRC meeting. The ARRC Chair then provided an overview of the task force's first meeting, at which the task force discussed a possible plan for the work ahead. ARRC members emphasized the importance of communicating the status and timing of a potential ARRC-recommended forward-looking term SOFR rate to market participants in a timely and transparent manner. Members noted that the recommendation of a term rate was conditional on the development of sufficient liquidity in SOFR derivatives markets along with the development of a recommendation for an appropriately limited scope of use for the term rate. Members reiterated that recommending a term rate was unlikely to occur by mid-June. The task force expects to report back on the work ahead, including the timing of such work, at the upcoming March 18 meeting.

## Attendance at the February 17, 2021 Meeting\*

### ARRC Members

American Bankers Association	Hu Benton
Association for Financial Professionals	Tom Hunt
Bank of America	Sonali Theisen
Bank of America	Greg Todd*
Bank of America	Alex van Voorhees
BlackRock	Jack Hattem
BlackRock	Alex Krol
Citigroup	Josie Evans
Citigroup	Jeannine Hyman
CME Group	Agha Mirza
Comerica	Dave J Shipka
CRE Finance Council	Lisa Pendergast
CRE Finance Council	Raj Aidasani
CRE Finance Council	Sairah Burki
Deutsche Bank	Adam Eames
Deutsche Bank	Greg Coutu
Equitable	Julien Zusslin
Fannie Mae	Robert Ives
Fannie Mae	Wells Engledow
Federal Home Loan Bank	Kyle Lynch
Federal Home Loan Bank	Philip Scott
Federal Home Loan Bank	Rei Shinozuka
Ford	Jason Behnke
Ford	Nathan Herbert
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour
Freddie Mac	Karen Pilewski
Freddie Mac	Rishi Sarpal
Freddie Mac	Michelle Thomas
GE Capital	Fred Robustelli
GE Capital	Michael Taets
Goldman Sachs	Guillaume Helie
Goldman Sachs	Jason Granet
HSBC	Shirley Hapangama
HSBC	Blair Selber
Huntington Bank	Beth Russell
Independent Community Bankers of America	James Kendrick
Intercontinental Exchange	Chris Edmonds
Intercontinental Exchange	Harvey Flax
International Swaps and Derivatives Association	Ann Battle
JP Morgan Chase & Co.	Alice Wang
JP Morgan Chase & Co.	Andrew Gray

JP Morgan Chase & Co.  
JP Morgan Chase & Co.  
JP Morgan Chase & Co.  
KKR  
LCH  
Loan Syndications and Trading Association  
Loan Syndications and Trading Association  
MetLife  
MetLife  
MetLife  
Morgan Stanley  
Morgan Stanley  
Morgan Stanley  
Morgan Stanley  
Morgan Stanley  
National Association of Corporate Treasurers  
PIMCO  
PIMCO  
PIMCO  
PNC  
PNC  
Prudential Financial  
Prudential Financial  
Securities Industry and Financial Markets Association  
Securities Industry and Financial Markets Association  
Structured Finance Association  
Structured Finance Association  
TD Bank  
TD Bank  
US Chamber of Commerce  
US Chamber of Commerce  
Wells Fargo  
Wells Fargo  
World Bank Group

Emilio Jimenez  
Perry Elbadrawi  
Katie Morgan  
Tal Reback  
Philip Whitehurst  
Meredith Coffey  
Tess Virmani  
Alex Strickler  
Joe Demetrick  
William Ding  
Maria Douvas  
Matt Ochs  
Michelle Goldstein  
Paige Mandy  
Tom Wipf  
Tom Deas  
Courtney Garcia  
Jerome Schneider  
Andrei Wagner  
Alex Spiro  
Andrew Wilson  
Chris McAlister  
Gary Horbacz  
Chris Killian  
Rob Toomey  
Jen Earyes  
Kristi Leo  
Greg Moore  
Priya Misra  
Kristen Malinconoco  
Tom Quadman  
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 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

Sayee Srinivasan  
Abhishek Agarwal  
Irina Leonova  
Daniel E. Coates  
Betsy Bourassa  
Caitlin Briglio  
Caren Cox  
Cam Fuller  
Bradley Groarke

Federal Reserve Bank of New York	Fatima Madhany
Federal Reserve Bank of New York	Irmak Ince
Federal Reserve Bank of New York	Jamie Pfeifer
Federal Reserve Bank of New York	Justine Hansen
Federal Reserve Bank of New York	Nate Wuerffel
Federal Reserve Bank of New York	Raymond Check
Federal Reserve Bank of New York	William Riordan
Federal Reserve Bank of New York	Megan Zirinsky
Federal Reserve Board of Governors	Darren Gersh
Federal Reserve Board of Governors	David Bowman
Federal Reserve Board of Governors	Erik Heitfield
Federal Reserve Board of Governors	Evan Winerman
Federal Reserve Board of Governors	Jeffrey Huther
National Association of Insurance Commissioners	Eric Kolchinsky
New York Department of Financial Services	Steven Kluger
Office of Financial Research	Robert "Jay" Kahn
Office of Financial Research	Ron Alquist
Office of Financial Research	Sriram Rajan
Office of the Comptroller of the Currency	Ang Middleton
Office of the Comptroller of the Currency	Kevin Walsh
U.S. Department of Housing and Urban Development	Maria Chelo DeVenecia
U.S. Department of Housing and Urban Development	Joshua Miller
U.S. Securities and Exchange Commission	Tamara Brightwell
U.S. Securities and Exchange Commission	Jason Leung
U.S. Securities and Exchange Commission	Michelle Danis
U.S. Treasury	Chloe Cabot
U.S. Treasury	Brian Smith

**Observers**

Bank of Canada	Sheryl King
BNP Paribas	Simon Winn
Brunswick	Jeanmarie McFadden
Brunswick	Casey Gunkel
Brunswick	Catherine Hicks
Brunswick	Elizabeth Lilly
Brunswick	Pauline Blondiaux
Cadwalader	Lary Stromfeld
Deloitte	Alexey Surkov
Ernst & Young	John Boyle
Ernst & Young	Daniel Scrafford
Morgan Lewis	Jon Roellke
Oliver Wyman	Adam Schneider

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