

## Alternative Reference Rates Committee (ARRC)

### Minutes for the September 8, 2022 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 [September 8 Meeting Readout](#). Staff noted that the transition away from LIBOR to SOFR continues to progress strongly in 2022, with SOFR now the predominant rate across both cash and derivatives markets. In particular, SOFR swaps have accounted for around 90 percent of daily volumes on average of interest rate risk traded in the outright linear swaps market in recent months while LIBOR swaps have declined to less than 10 percent. In exchange-traded markets, average daily SOFR futures volumes have also surpassed average daily Eurodollar futures volumes. 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, CME Group provided an update on its [proposal](#) for conversion of most Eurodollar futures and options contracts to their SOFR fallbacks on April 14, 2023, noting that CME believes this will align with industry plans for the switch over of centrally cleared LIBOR interest rate swaps to SOFR ahead of June 2023. CME Group highlighted the importance of broad market awareness of the proposal beyond the Eurodollars trading community, such as for market participants who utilize Eurodollars for analysis and curve construction. ARRC members were encouraged to engage with the proposal through the end of September.

The ARRC Chair then highlighted the [public release](#) of the [ARRC Loan Remediation Survey](#), which seeks to gather information on plans to remediate USD LIBOR loans. Over 60 responses had been submitted, with about two thirds coming from bank lenders. ARRC members involved in the business loan market were encouraged to respond to the survey if they had not already done so, with input from borrowers especially welcome. Results of the survey, which will be aggregated and anonymized to preserve confidentiality, will be made publicly available once finalized.

The Operations/Infrastructure working group provided an update on its work with DTCC on a solution to facilitate effective and efficient communication of rate changes in the conversion of LIBOR contracts. Stakeholders have been working to capture the detailed requirements needed to fully communicate the rate changes and programming for the final DTCC solution will commence soon. (See Appendix B for details)

The Term Rate Task Force provided an update on its discussions around Term SOFR derivatives. In particular, the Task Force has been discussing participants' views on the level of awareness of the existing ARRC best practice recommendations on the [scope of use of Term SOFR](#) and making limited refinements to sustain the availability of Term SOFR for use by borrowers in business loans. In particular, however, it was noted that the Task Force is not considering any material relaxations of the substance of the ARRC's best practice recommendations on the scope of use of Term SOFR including the provision that no interdealer trading of any Term SOFR-linked derivatives is recommended.

The ARRC Chair ended the meeting by directing members to review and finalize the [September 8 Meeting Readout](#). The ARRC Chair then thanked the members and reminded everyone of the next ARRC meeting to be held in person on November 9<sup>th</sup>.

## Attendance at the September 8, 2022 Meeting\*

### ARRC Members

American Bankers Association	Hu Benton*
Association for Financial Professionals	Tom Hunt*
Bank of America	Janet Choi*
Bank of America	Sonali Theisen*
Bank of New York Mellon	Oliver Bader*
Bank of New York Mellon	Jason Granet
Bank of New York Mellon	Jeanne Naughton-Carr
Citigroup	Peter Phelan
Citigroup	Luis Asturizaga
Citigroup	Rodrigo Fernandez*
Citigroup	Jeannine Hyman*
CME Group	Agha Mirza
Comerica	Stasie Kostova*
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
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour*
Freddie Mac	Allan Krinsman*
GE	Mike Taets*
GE	Fred Robustelli*
Goldman Sachs	Richard Chambers*
Goldman Sachs	Guillaume Helie*
Government Finance Officers Association	Patrick McCoy*
HSBC	Shirley Hapangama
HSBC	Oresta Mehta
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*
KKR	Tal Reback
London Clearing House	Phil Whitehurst*
Loan Syndications and Trading Association	Meredith Coffey*

Loan Syndications and Trading Association  
MetLife  
MetLife  
MetLife  
Morgan Stanley  
Morgan Stanley  
Morgan Stanley  
National Association of Corporate Treasurers  
PIMCO  
PNC  
Prudential Financial  
Securities Industry and Financial Markets Association  
Structured Finance Association  
TD Bank  
TD Bank  
U.S. Chamber of Commerce  
Wells Fargo  
Wells Fargo  
World Bank

**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 Board of Governors  
Federal Reserve Board of Governors  
Ginnie Mae  
Ginnie Mae  
New York State Department of Financial Services  
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

Tess Virmani\*  
Joseph Demetrick  
William Ding\*  
Alex Strickler\*  
Tom Wipf  
Maria Douvas-Orme  
Matt Ochs  
Tom Deas\*  
Jerry Woytash\*  
Alex Spiro\*  
Chris McAlister  
Chris Killian\*  
Kristi Leo\*  
Priya Misra  
Greg Moore\*  
Kristen Malinconico\*  
Alexis Pederson  
Jessica Murphy\*  
Don Sinclair\*

Alicia Lewis\*  
Abhishek Agarwal  
Irina Leonova\*  
Daniel Coates\*  
Muna Sisay\*  
Pooja Gupta  
Sophie Legrand-Green  
Jamie Pfeifer  
Nathaniel Wuerffel  
Jason Friedman\*  
Mari Baca\*  
Scott Sherman\*  
Jeffrey Huther\*  
David Bowman  
Carol Vilsack\*  
Diego Leguizamon\*  
Steven Kluger\*  
Kevin Walsh  
Ang Middleton\*  
Maria Chelo De Venecia\*  
Michelle Danis\*

U.S. Securities and Exchange Commission  
U.S. Treasury  
U.S. Treasury

Jason Leung\*  
Sally Au Yeung\*  
Daniel Harty\*

**Observers**

Bank of Canada  
BlackRock  
BNP Paribas  
Brunswick Group  
Cadwalader  
Deloitte  
Morgan Lewis  
State Street  
Venerable

Sheryl King  
Alexander Krol\*  
Simon Winn  
Nathan Kline\*  
Lary Stromfeld  
Alexey Surkov  
Jon Roellke\*  
Scott Longo\*  
Charles Schwartz\*

\*Indicates virtual participation.

# Appendix A

*For discussion purposes only*

## ARRC Sentiment Survey - Responses Overview

### Overall:

The LIBOR Transition is progressing:

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

Responses	September 2022 (12 responses)
a:	33.3%
b:	63.7%
c:	0.0%

### Derivatives:

The LIBOR Transition is progressing:

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

Responses	September 2022 (12 responses)
a:	41.7%
b:	50.0%
c:	8.3%

# ARRC Sentiment Survey - Responses Overview

*For discussion purposes only*

**Business Loans:**  
The LIBOR Transition is progressing:

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

Responses	September 2022 (10 responses)
a:	10.0%
b:	90.0%
c:	0.0%

**Consumer Loans:**  
The LIBOR Transition is progressing:

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

Responses	September 2022 (7 responses)
a:	57.1%
b:	28.6%
c:	14.3%

# ARRC Sentiment Survey - Responses Overview

*For discussion purposes only*

## Floating Rates Notes:

The LIBOR Transition is progressing:

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

Responses	September 2022 (10 responses)
a:	70.0%
b:	30.0%
c:	0.0%

## Securitizations:

The LIBOR Transition is progressing:

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

Responses	September 2022 (9 responses)
a:	22.2%
b:	77.8%
c:	0.0%



# ARRC Sentiment Survey - Responses Overview

*For discussion purposes only*

## Key Messages:

- Overall, continued positive momentum - 100% of respondents indicated the transition overall is progressing smoothly or generally smoothly into 2022.
  - No meaningful change in sentiment regarding most asset classes<sup>1</sup>. Respondents largely kept their assessments little changed from prior survey responses.

## Areas Highlighted by Respondents:

- Remain similar to areas highlighted in the [July 2022 survey results](#). Areas of focus include:
  - Federal Reserve rule-making process and determination of replacement benchmark rate per the federal LIBOR legislation
  - The interplay between the Federal Reserve rules and any synthetic USD LIBOR rate.
  - Very encouraging progress in SOFR futures and options; particularly following CME's SOFR First for Options initiative
  - Remediation of legacy contracts: relatively slow but activity has picked-up in the second quarter
  - Usage of Term SOFR in derivatives market.

<sup>1</sup> Any apparent changes mainly due to differences in respondent composition between surveys rather than a shift in sentiment.

# Appendix B

September 8, 2022

**ARRC Operations & Infrastructure Working Group**

# ARRC Operations & Infrastructure

## Update on activities completed over the past month

- DTCC established two working groups to work with user community to capture detailed requirements
  - Corporate Trust / Agent Working Group
    - 4 meetings held
  - Broader Industry Working Group
    - 2 meeting held
- Held several session with corporate trustee and their legal advisors to finalize term sheets
  - Term SOFR is finalized
  - O/N Rates in progress
- Have narrowed focus of Lens solution is on contracts governed by US Law

## Topics for Discussion

- With Lens solution now in design, we are starting to think about:
  - How best to communicate these changes to market participants
    - Please let us know if there is an upcoming event that would help “spread the word”
  - Is there a way to develop a “score card” that can be used in 2023 to track the percentage of notifications received? Would that be of value?
  - Are there other topics that this group should be working on?



# LIBOR TRANSITION

DTCC Update to the ARRC

August 24, 2022

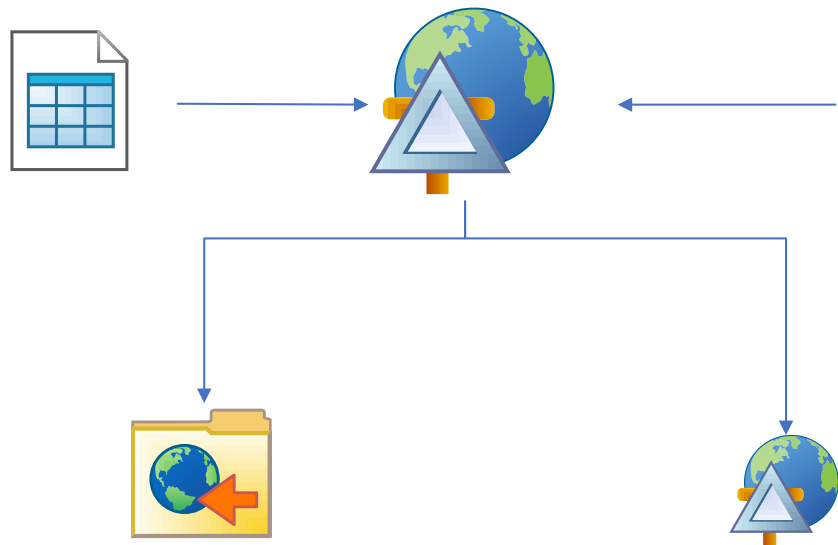
# Centralized Communication Portal

Party responsible for  
inputting rates



Secure Public  
Domain / Web Input  
Portal

Manual input for  
individual securities  
and PDF upload



Automated  
data either via  
API or a file  
transmission

Pull information  
from LENS as a  
PDF attachment

## • Web attributes:

- No formal sign-up process
- Safe and secure
- Valid email required (no personal email domains allowed)
- Several input methods – templates included
- Easy to use – user materials available
- Form validation provided

# Basic Web Input Flow – High Level Demo

1. Authentication
2. Input
3. Upload
4. Final Validation
5. Transmission

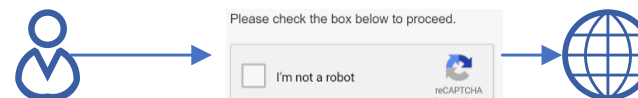


- User navigates to new UI
- User inputs a valid business domain and receives an email confirmation with a verification code



- The user inputs the code from their email and is able to proceed

1



- The user completes a 'Captcha' to certify they are not a bot.

2



- The user chooses a template and completes a form

3



- The user uploads an attachment after completing the form. The user then submits the transaction

4

5



- The data is then transmitted over DTCC's network through LENS and the output to the investor community

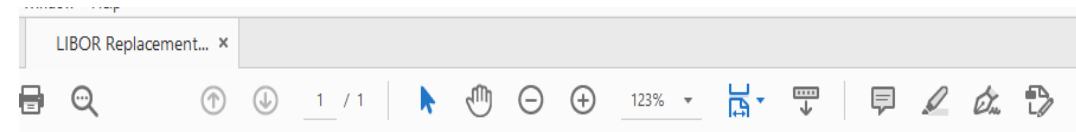
\*Wireframe / screen design in progress

# Examples of what output may look like (subject to change)

- JSON file layout (high-level)

```
"MessageDateTime": "2022-08-03T10:28:34",
"NumberOfRates": "2",
"Type": "SOFR",
"Rate": [
  {
    "Security": {
      "CUSIP": "54028AAA0",
      "DeterminingPartyType": "Paying Agent",
      "SubmitterInformation": "Transfer Agent",
      "SubmitterCompany": "Bank of New York",
      "SubmitterEntityType": "Paying Agent",
      "SubmitterContactEmail": "jsmith@bnym.com",
      "DeterminingPartyCompany": "Deutsche Bank",
      "DeterminingPartyEntityType": "Paying Agent",
      "DeterminingPartyContactEmail": "jdoe@db.com"
    },
    "Benchmark Replacement": {
      "FallbackRate": "SOFR",
      "FallbackRateTenor": "1M",
      "FallbackRateIndexTicker": "TERM"
    },
    "SpreadAdjustment": {
      "SpreadAdjustmentAmount": ".2555",
      "ClientSpreadAmount": "0.005"
    },
    "EffectiveChanges": {
      "FixingDate": "202304-24"
    }
  },
  {
    "Security": {
      "CUSIP": "54028AAA0",
      "DeterminingPartyType": "Paying Agent",
      "SubmitterInformation": "Transfer Agent",
      "SubmitterCompany": "Bank of New York",
      "SubmitterEntityType": "Paying Agent",
      "SubmitterContactEmail": "jsmith@bnym.com",
```

- Possible PDF layout in LENS



LIBOR Centralized Communication Solution  
Descriptive Replacement Rate Detail  
LG20220803-018

Term Type:	Term SOFR
CUSIP:	54028AAA0
Replacement Choice Made?	Yes
Updated Submission?	No
Term SOFR Index Used:	CME Term SOFR
Fallback Tenor:	1M
Fallback Rate Index Ticker:	CMESO
Spread Adjustment Amount (bps):	.11448
Client Spread Amount (bps):	.005
Accrual Start Date:	202307-01

For more information, please contact:

Submitter:

John Smith	ABC Transfer
Transfer Agent	jsmith@abctransfer.com

Information Source/Provider:

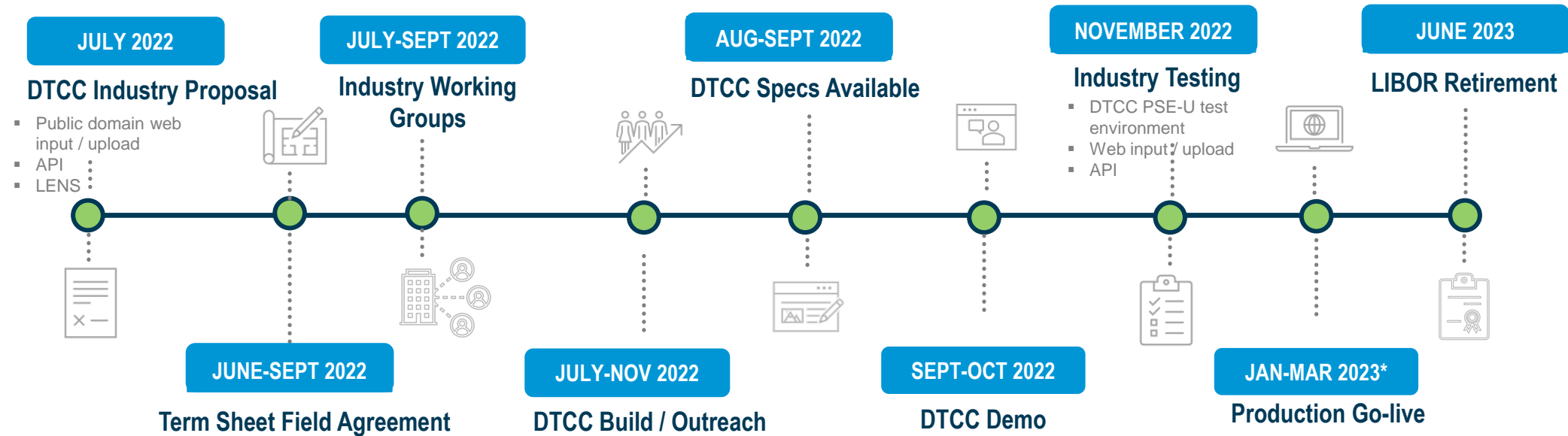
Jane Doe	USA Calculation Corp
Calculation Agent	Jane.doe@usacalccorp.com

## Next Steps

- Finalize review of the Term SOFR worksheet
- Continue review of the Overnight ARR benchmark details
- Advance technology build activities for web/UI input portal
- Begin outreach plan for subscriptions to output (i.e., file/API)
- Questions: [mschill@dtcc.com](mailto:mschill@dtcc.com)



# LIBOR Transition Timeline



*\*Deployment contingent upon successful testing period*