

Alternative Reference Rates Committee (ARRC)

Minutes for the April 20, 2023 Meeting

The ARRC Chair welcomed participants to the virtual meeting and kicked off a discussion on overall transition-related progress and issues observed in the market, referencing the charts in the [April 20 Meeting Readout](#). Members noted some recent improvement in the pace of remediation of leveraged loans, one of the key remaining market segments needed to accelerate the transition away from LIBOR ahead of June 30, 2023. Loan Syndications and Trading Association (LSTA) staff presented a series of charts illustrating an increase in amendment fallback activity over the past couple of months (see Appendix A). While remediation of leveraged loans has picked up, ARRC members emphasized that further progress is still needed. Some members indicated that this is especially true of lower-rated leveraged loans which may be more challenging and time-consuming to remediate. ARRC members continued to caution that failing to remediate contracts in time could pose various risks such as unnecessary uncertainty related to fallback outcomes, unfavorable outcomes like falling back to higher alternative base rates such as Prime, and operational disruptions amid a pile up of unremediated contracts.

Next, CME Group gave an update on their successful [conversion of Eurodollar contracts](#) on the weekend of April 14. With 7.5 million contracts of Eurodollar futures and options having been converted to SOFR-equivalents, only the May 2023 and June 2023 Eurodollar contracts remain outstanding and will trade until their natural expiry. CME Group noted that it would also convert [CME-cleared USD LIBOR swaps](#) on April 21. LCH had previously discussed its plan to convert [LCH-cleared LIBOR-linked swaps](#) in 2 tranches: the first on April 22 and the second on May 20.

ARRC members then discussed the transition away from the USD LIBOR ICE Swap Rate and voluntary adherence to [ISDA's June 2022 Benchmark Module to the 2021 Fallbacks Protocol](#), which is based on [ARRC recommendations](#). The ARRC continues to recommend that market participants remediate contracts referencing the USD LIBOR ICE Swap Rate, including via adhering to the ISDA fallbacks, particularly as neither the LIBOR Act nor the publication of 'synthetic' USD LIBOR extend to the ICE Swap Rate. [ISDA's website](#) has additional information regarding the USD LIBOR ICE Swap Rate fallbacks, including guidance about how they would apply and bilateral templates to include them in legacy contracts with counterparties that do not adhere to the June 2022 Benchmark Module.

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. The ARRC recommends that all determining persons, agents, and other parties responsible for disseminating information use this system for communicating rate/conforming changes. As of April 15, over 5,700

notifications had been received by the tool. On the output side, some large market data service providers have been connected to the tool and have received all notifications. The output of all communications so far can be consumed via the DTCC LENS platforms for existing subscribers.

The Term Rate Task Force then provided an update on its efforts to consider the ARRC's Term SOFR scope of use recommendations in response to market participant feedback on possible uses of Term SOFR and official sector recommendations that such use should be limited. The Task Force presented a [paper](#) that notes the official sector's recommendations, summarizes the ARRC's scope of use best practice recommendations and sets forth a limited refinement to the ARRC's recommendations addressing the use of Term SOFR-SOFR basis swaps between a dealer and non-dealer. ARRC ex-officio members also reported that, independent and separate from the ARRC's work, official sector representatives discussed with CME Group the extent to which its [Term SOFR licensing agreement is consistent](#) with the official sector's interest in limiting the use of Term SOFR, while expressly acknowledging that CME Group would independently determine its licensing terms. The ARRC then approved for publication the [Summary and Update of the ARRC Term SOFR Scope of Use Recommendations](#), with CME Group and a limited number of private sector ARRC members abstaining from participation in the approval process.

The ARRC Chair ended the meeting by requesting members to review and finalize the [April 20 Meeting Readout](#). The ARRC Chair then thanked the members and noted that the next ARRC meeting will be held on May 25th.

Attendance at the April 20, 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	Oliver Bader
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
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
Ford	Jason Behnke
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour
Freddie Mac	Allan Krinsman
Freddie Mac	Samuel Chapin
Freddie Mac	David Hays
Freddie Mac	Karen Pilewski
Goldman Sachs	Guillaume Helie
Goldman Sachs	Richard Chambers
Goldman Sachs	Tejal Wadhvani
Government Finance Officers Association	Cindy Harris
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.
JP Morgan Chase & Co.
KKR
London Clearing House
Loan Syndications and Trading Association
Loan Syndications and Trading Association
MetLife
MetLife
MetLife
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
PIMCO
PNC
PNC
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
Structured Finance Association
TD Bank
TD Bank
U.S. Chamber of Commerce
Wells Fargo
World Bank

Alice Wang
Emilio Jimenez
Tal Reback
Phil Whitehurst
Tess Virmani
Meredith Coffey
Joseph Demetrick
Alex Strickler
William Ding
Tom Wipf
Maria Douvas-Orme
Tom Deas
Jerry Woytash
Alexander Spiro
Andrew Wilson
Gary Horbacz
Chris McAlister
Chris Killian
Kristi Leo
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 Bank of New York
Federal Reserve Bank of New York
Federal Reserve Board of Governors

Alicia Lewis
Abhishek Agarwal
Irina Leonova
Daniel Coates
Jim Winning
Pooja Gupta
Jamie Pfeifer
Nathaniel Wuerffel
Justine Hansen
Sophie Legrand-Green
Betsy Bourassa
Scott Sherman
Suzanne Elio
Mari Baca
Darren Gersh

Federal Reserve Board of Governors
Ginnie Mae
Ginnie Mae
Office of the Comptroller of the Currency
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. Treasury
U.S. Treasury
U.S. Treasury

Observers

Bank of Canada
BNP Paribas
Cadwalader
Deloitte
Morgan Lewis

David Bowman
Carol Vilsack
Diego Leguizamon
Kevin Walsh
Ang Middleton
Michael Chunn
Maria Chelo De Venecia
Michelle Danis
Jason Leung
Irene Paik
Eli Martin
Dini Ajmani
Thomas Teles

Sheryl King
Simon Winn
Lary Stromfeld
Alexey Surkov
Jon Roellke

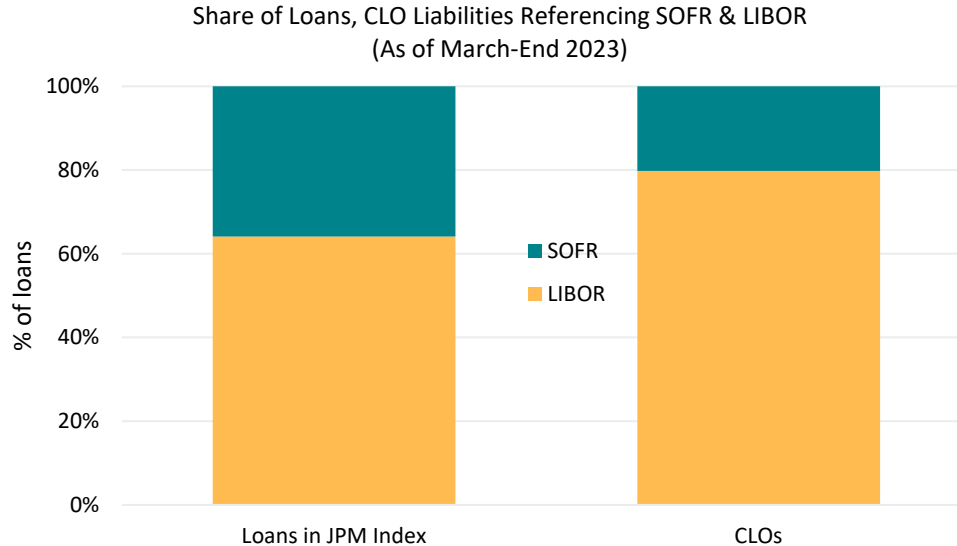
*This meeting was held via WebEx; asterisk indicates participation by dial-in.

Appendix A



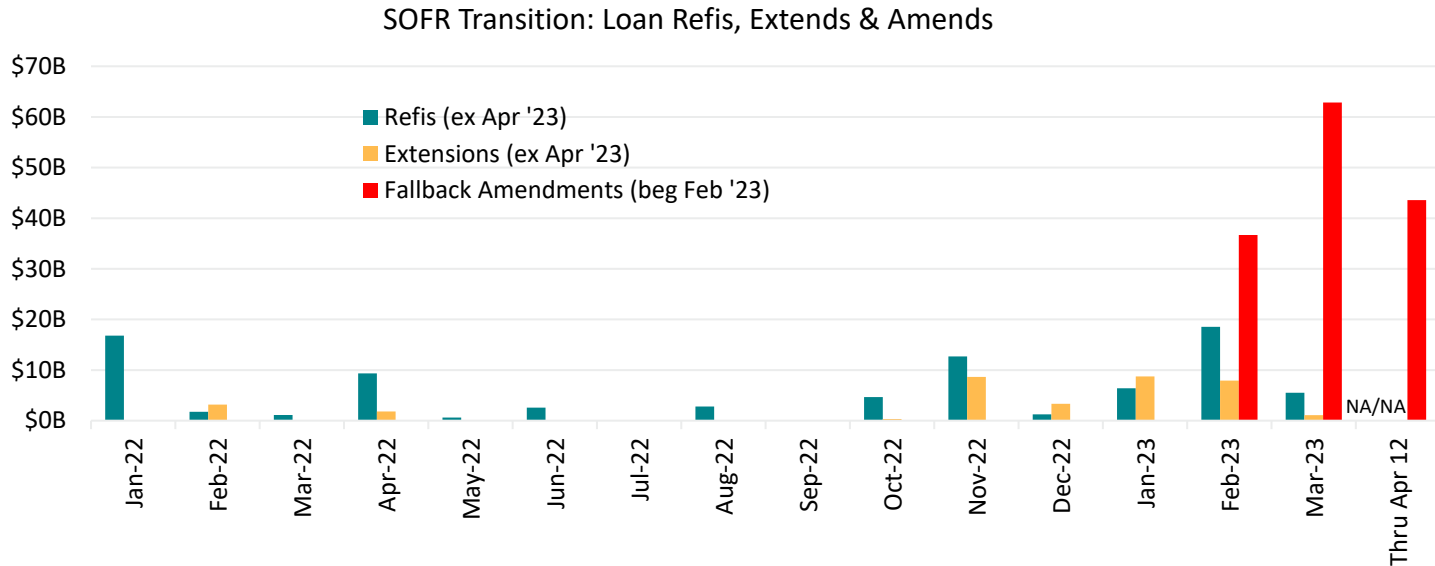
LIBOR Transition Statistics

Leveraged Loan/CLO LIBOR Remediation: Where We Stood at the End of March 2023



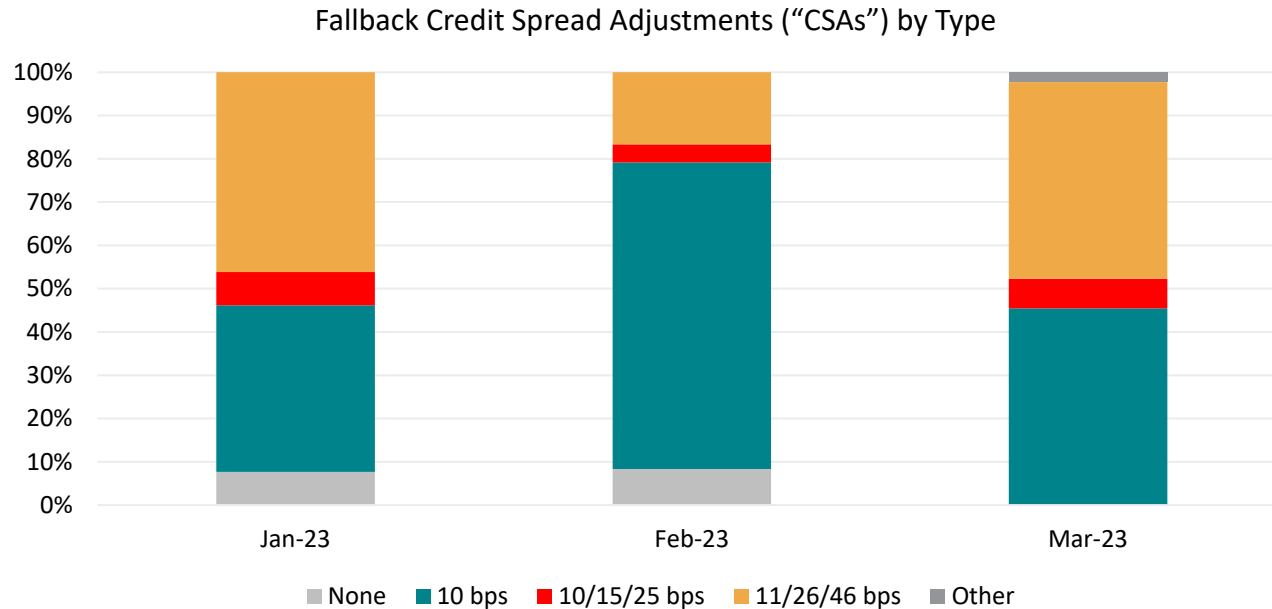
- Outstanding loans and CLOs are gradually transitioning from LIBOR to SOFR
- **However, we may be further along than the data indicate**
- **CLO data is lagged due to delay in Trustee Reports**
- Loan data may not include a number of the less visible LIBOR transition amendments
- We *may* be approaching 50% SOFR loans in a number of CLOs

LIBOR Remediation: Bank Crisis Slows SOFR Loan Origination, but Fallback Amendments Accelerate



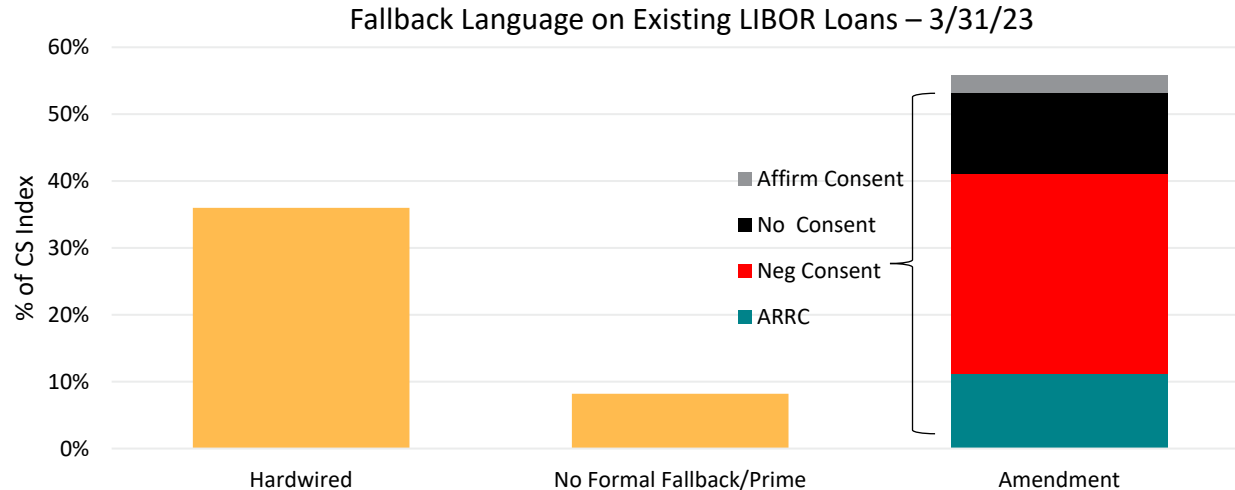
- “Organic” leveraged loan transition activity – refinancings and extensions – slowed in March
- Amendment fallback activity topped \$62 billion in March
- Amendment activity accelerated further in April, with \$44 billion of observed amendments through April 12th

Fallback Economics are Evolving



- Relative to February, more fallback amendments used 11/26/43 bps CSAs in March, but there currently is no clear trend

Most Remaining LIBOR Loans Have Fallback Language; Most Will Not Go To Synthetic LIBOR



- Most remaining LIBOR loans in the CS Index have amendment fallback language
- Synthetic LIBOR will not be relevant for most outstanding LIBOR loans – instead, it is only potentially applicable to loans that *have a way to fall back from LIBOR* but do not have a direct or indirect “non-representativeness” trigger*
- The best way to transition is to actively remediate – which we are seeing through all the LIBOR transition amendments

*Including a Prime Option