

Alternative Reference Rates Committee (ARRC)

Minutes for the July 31, 2023 Meeting

The ARRC Chair welcomed participants to the virtual meeting and noted that since the last ARRC meeting in June and the subsequent cessation of representative USD LIBOR, there have been a number of official sector remarks regarding the transition. These included those given during the July 28 [Financial Stability Oversight Council \(FSOC\) meeting](#) where FSOC Principals discussed the LIBOR transition and emphasized that going forward, market participants should ensure that they include robust fallback language in their contracts and use appropriately robust reference rates, avoiding the problems created with LIBOR. The Chair also highlighted a [statement](#) issued by the Financial Stability Board (FSB) on July 28 with its final reflections on the LIBOR transition. Similar to remarks made at the FSOC meeting, the FSB statement's key messages included the importance of choosing reference rates that are robust, suitable, sustainable and compatible and using robust contractual fallbacks. Lastly, the Chair pointed to the IOSCO [Statement on Alternatives to LIBOR](#) published on July 3. In the statement, IOSCO highlighted that use of Term SOFR rates in derivatives markets should remain limited so that these rates can remain sustainably available for more limited appropriate use cases, which is consistent with the ARRC's [recommended best practices for use of Term SOFR](#). IOSCO's statement also emphasized that certain credit sensitive rates (CSRs) currently in use exhibit the same inherent "inverted pyramid" weaknesses as LIBOR and that absent modification, their use may threaten market integrity and financial stability. The Chair additionally flagged that IOSCO has called upon administrators of the credit sensitive rates reviewed by them to refrain from any representation that these rates are "IOSCO-compliant".

The ARRC Chair then introduced a discussion on overall transition-related progress and issues observed in the market following June 30, pointing to the [July 31 Meeting Readout](#) for reference. The Chair also thanked ARRC members for responding to the latest sentiment survey, in which respondents noted that the June 30 milestone had passed smoothly, before turning to a discussion on residual activity and perspectives from across the ARRC membership. In the exchange, ARRC members broadly characterized the passage of the June 30, 2023 LIBOR transition milestone as smooth and uneventful. The Loan Syndications and Trading Association (LSTA) noted the significant uptick in loan fallback amendments (i.e. change in reference rates occurring via fallback) in June. LSTA also highlighted that most leveraged loans and collateralized loan obligations (CLOs) have transitioned to SOFR going forward but will continue to pay LIBOR until their next rate reset date (which will generally be one or three months after LIBOR cessation).

The implementation of fallbacks and LIBOR replacements under the LIBOR Act also occurred without issue. Members indicated that, aside from a few transaction-specific inquiries, there were no broader concerns. International Swaps and Derivatives Association (ISDA) also noted smooth implementation of the [ISDA 2020 IBOR Fallbacks Protocol](#). A few members pointed out that longer-dated LIBOR-based swaptions exercised post-June 2025 may need to be cash-settled because after that date, the Central Clearing Counterparties (CCPs) will no longer accept swaps resulting from physically-settled LIBOR swaptions for clearing via their conversion process. At the end of the discussion, the ARRC Chair thanked members for the comprehensive exchange and for all of their efforts in the lead up to June 30, helping to secure the orderly wind down of representative LIBOR.

The Operations/Infrastructure Working Group then provided an update on usage of 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 As of the end of July, there have been more than 120k notifications received from a combination of issuers, calculation agents, and trustees. Usage of the tool across issuers, agents, trustees, and market data providers has reportedly been smooth, including following the cessation of representative USD LIBOR on June 30. A majority of securities have their next coupon date resets occur in August and September so use of the tool, including the review of market data files for submissions, during the coming months will be important for communicating these rate changes.

Next, the Regulatory Issues Working Group provided an update on their engagement with the CFTC regarding the request for Pre-Trade Mid Mark relief currently afforded to certain swaps referencing USD LIBOR to be extended to the swap market's predominant reference rate, SOFR OIS. The ARRC plans to formally file the relief request letter with the CFTC in due course.

In concluding remarks, Federal Reserve staff noted that the ARRC would look to wind down its work in due course. It emphasized, however, that its best practice recommendations remain in place and are permanent to help support a robust reference rate environment going forward and promote financial stability. The ARRC Chair then ended the meeting by requesting members to review and finalize the [July 31 Meeting Readout](#). The ARRC Chair thanked the members and noted that the next ARRC meeting will be held in-person on September 26.

Attendance at the July 31, 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
CME Group	Agha Mirza
CRE Finance Council	Lisa Pendergast
CRE Finance Council	Raj Aidasani
Deutsche Bank	Kayam Rajaram
Equitable Life	Julien Zusslin
Fannie Mae	Wells Engledow
Federal Home Loan Bank of New York	Rei Shinozuka
Federal Home Loan Bank of New York	Vikram Dongre
Ford	Jason Behnke
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour
Freddie Mac	David Hays
Freddie Mac	Allan Krinsman
Freddie Mac	Karen Pilewski
Government Finance Officers Association	Emily Brock
HSBC	Kelli Keenan
Intercontinental Exchange	Harvey Flax
International Swaps and Derivatives Association	Ann Battle
JP Morgan Chase & Co.	Alice Wang
JP Morgan Chase & Co.	Emilio Jimenez
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
MetLife	William Ding
Morgan Stanley	Maria Douvas-Orme
National Association of Corporate Treasurers	Tom Deas
PIMCO	Jerry Woytash

PNC
PNC
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
TD Bank
U.S. Chamber of Commerce
Wells Fargo

Alexander Spiro
Andrew Wilson
Gary Horbacz
Chris McAlister
Chris Killian
Sumant Gupta
Kristen Malinconico
Alexis Pederson

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 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
Office of the Comptroller of the Currency
Office of the Comptroller of the Currency
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
Jim Winning
Muna Sisay
Pooja Gupta
Jamie Pfeifer
Justine Hansen
Scott Sherman
Mari Baca
Bradley Groarke
Sophie Legrand-Green
David Bowman
Darren Gersh
Diego Leguizamon
Kevin Walsh
Ang Middleton
Michelle Danis
Jason Leung
Dan Harty
Eli Martin
Dini Ajmani

Observers

Bank of Canada
BNP Paribas
Cadwalader
Morgan Lewis
State Street

Sheryl King
Simon Winn
Lary Stromfeld
Jon Roellke
Scott Longo

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

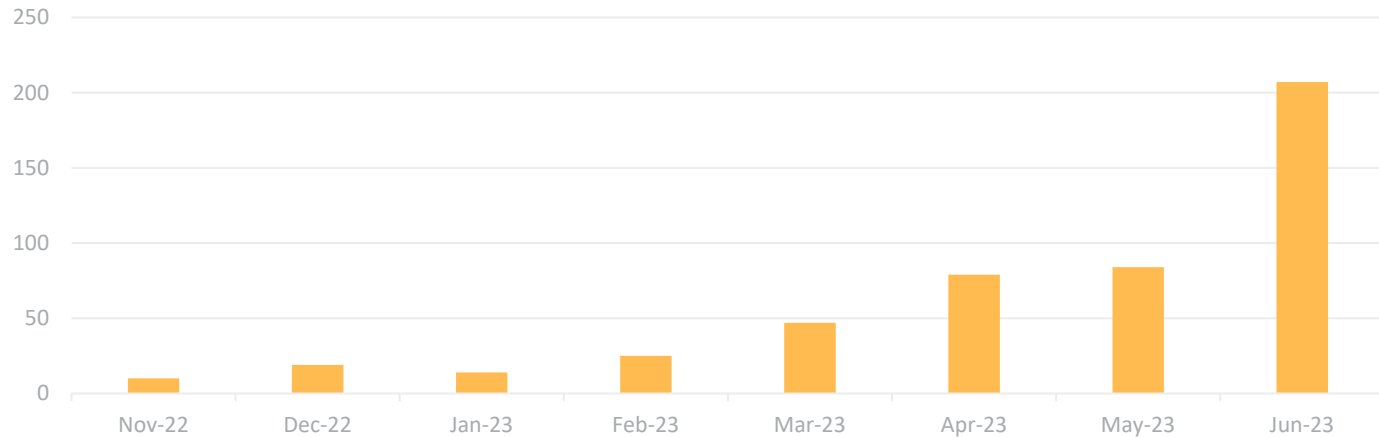
Appendix A



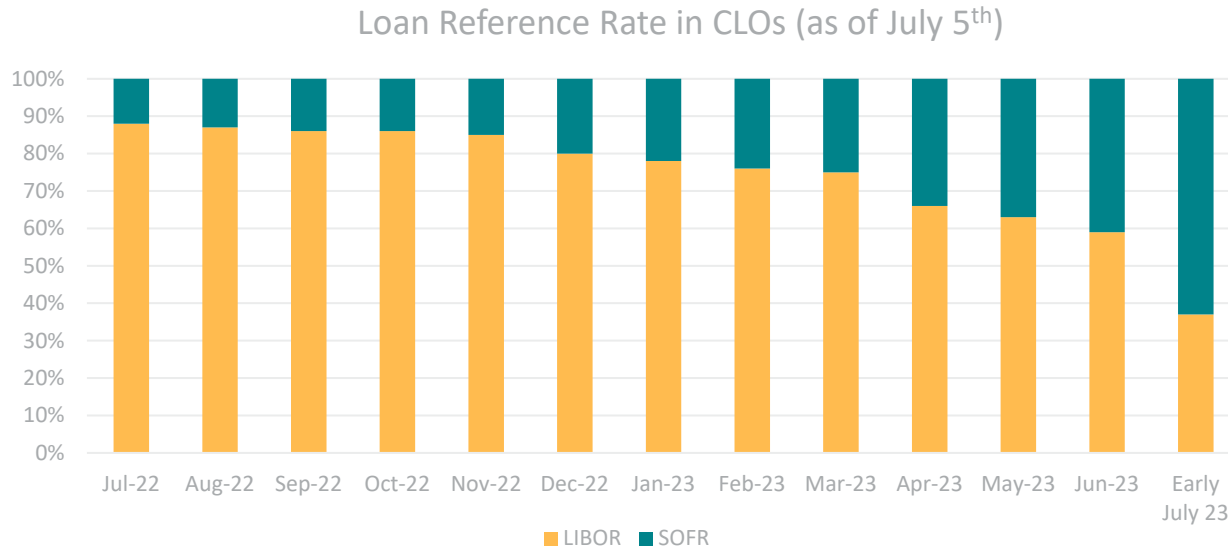
LIBOR Transition: July 31, 2023

LIBOR Remediation: Loan Fallback Amendments Spiked in June 2023

Number of LIBOR Fallback Amendments Surge in Final Month



Leveraged Loan LIBOR Remediation



- Significant LIBOR fallback activity moved loans to SOFR in June
- Remaining loans largely have transitioned but are running out their existing 1M or 3M LIBOR contract

**Note: Data may be somewhat lagged*

Most CLOs Have Transitioned, But Will Pay on LIBOR Until Next Reset (Generally September or October)

CLO Liabilities on LIBOR vs SOFR (as of June 27th)

