

## 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](#)<sup>1</sup> 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

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<sup>1</sup> 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 20<sup>th</sup>.

## Attendance at the March 9, 2023 Meeting\*

### ARRC Members

American Bankers Association	Hu Benton*
American Bankers Association	Sayee Srinivasan*
Bank of America	Janet Choi*
Bank of New York Mellon	Oliver Bader
BlackRock	Jack Hattem
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*
Freddie Mac	Ameez Nanjee*
Freddie Mac	Guim Barbour*
Freddie Mac	Allan Krinsman*
GE	Mike Taets*
Goldman Sachs	Guillaume Helie*
Government Finance Officers Association	Emily Brock*
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.	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 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.

# Appendix A

## ARRC Sentiment Survey - Responses Overview

*For discussion purposes only*

### Overall:

The LIBOR Transition is progressing:

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

Responses	March 2023 (15 responses)
a:	40.0%
b:	60.0%
c:	0.0%

### 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