

Alternative Reference Rates Committee (ARRC)

Minutes for the May 25, 2023 Meeting

The ARRC Chair welcomed participants to the virtual meeting. Federal Reserve staff then provided an overview of the USD LIBOR transition, using the charts provided in the [May 25 Meeting Readout](#). Staff indicated 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 sentiment survey of ARRC members (see Appendix A for summary slide), where respondents continued to characterize the LIBOR transition overall as progressing “smoothly” or “generally smoothly”. Some survey respondents highlighted the need for acceleration of syndicated leveraged loan remediation efforts. Representatives from the Loans Syndications & Trading Association (LSTA) noted that there has been recent progress on this front, with loan amendment activity continuing to accelerate since March. Nonetheless, ARRC members agreed that further progress in remediating leveraged loans is still needed ahead of June 30.

Next, LCH gave an update on their successful conversions of LCH-cleared USD LIBOR swaps on April 22 and May 20. Further details of the conditions and for the intra-day conversion process applicable after the conversion second event on May 20 are available to LCH customers in “Operational Considerations” materials available at [LCH’s Knowledge Centre](#). ARRC members congratulated both LCH and CME Group for achieving a major transition milestone with the successful completion of their cleared USD LIBOR swap conversion events. Following CME Group’s conversion of LIBOR futures on April 14, SOFR reached an all-time high share of total USD derivatives DV01 risk traded in April, as reported by Clarus.

ARRC members then discussed the state of preparation for June 30 and noted that, while market participants are largely prepared, it was important that they:

- Continue to communicate rate changes for securities with CUSIPs using DTCC’s [LIBOR Replacement Index Communication Tool](#).
- Continue to remediate LIBOR loans and ensure that borrowers and lenders are actively and cooperatively involved in doing so.
- Be sure they understand their fallbacks, particularly for end users with both derivative positions (which will fall back to compound overnight SOFR under the ISDA protocol or, if governed by U.S. law, under the LIBOR Act) and cash product positions (which will fall back to CME Term SOFR or averages of SOFR set in advance in most cases), and any steps needed to adapt them as well as any time limits on regulatory relief for amending derivatives.

- Understand fallbacks for contracts referencing ICE USD LIBOR Swap Rates, which are not covered by the LIBOR Act and may be forced to rely on dealer polling.

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. 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 Additionally, the ARRC hosted a webinar on May 24 titled "[Using the DTCC LIBOR Replacement Index Communication Tool to Support the Transition Away from USD LIBOR.](#)" The purpose of the webinar was to encourage additional use of the tool, with webinar participants also noting the importance for all issuers, agents, trustees, or other submitting persons to use the Communication Tool so that investors can be informed of the rate changes that will occur in LIBOR securities. (A recording of the webinar can be found [here](#) and presentation slides [here](#).) In terms of usage of the tool thus far, it was estimated that information on roughly 2/3 of outstanding CUSIPs have been entered in the Communication Tool, but that a remaining 1/3 of CUSIPs still needed to have rate-change information entered.

Next, the Regulatory Issues Working Group provided an update on their engagement with the CFTC regarding 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 Chair indicated that the ARRC's finalized letter on reporting relief would likely be submitted to the CFTC during the week of June 5.

The ARRC Chair ended the meeting by requesting members to review and finalize the [May 25 Meeting Readout](#) as well as the [ARRC Statement on the Last 30 Days before U.S. Dollar LIBOR Panels End](#). The ARRC Chair then thanked the members and noted that the next ARRC meeting will be held on June 22nd.

¹ For reference, DTCC offers a centralized [LIBOR transition site](#) that houses documents on how to use the new tool, FAQ's, and additional LIBOR transition background information.

Attendance at the May 25, 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
Ford	Jason Behnke
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour
Freddie Mac	Allan Krinsman
Freddie Mac	David Hays
Freddie Mac	Karen Pilewski
Goldman Sachs	Guillaume Helie
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
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MetLife
MetLife
Morgan Stanley
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
PIMCO
PNC
PNC
Prudential Financial
Securities Industry and Financial Markets Association
TD Bank
U.S. Chamber of Commerce
Wells Fargo
Wells Fargo
World Bank

Tess Virmani
Meredith Coffey
Joseph Demetrick
Alex Strickler
Tom Wipf
Maria Douvas-Orme
Matt Ochs
Tom Deas
Jerry Woytash
Alexander Spiro
Andrew Wilson
Chris McAlister
Chris Killian
Sumant Gupta
Kristen Malinconico
Alexis Pederson
Jessica Murphy
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 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 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. Securities and Exchange Commission
U.S. Treasury
U.S. Treasury
U.S. Treasury

Alicia Lewis
Abhishek Agarwal
Irina Leonova
Daniel Coates
Jim Winning
Muna Sisay
Pooja Gupta
Jamie Pfeifer
Justine Hansen
Sophie Legrand-Green
David Bowman
Diego Leguizamon
Kevin Walsh
Ang Middleton
Michelle Danis
Jason Leung
Kim McManus
Catherine Brown
Eli Martin
Dini Ajmani
Josh Frost

Observers

Bank of Canada

BNP Paribas

Cadwalader

Deloitte

Morgan Lewis

State Street

Wells Fargo

Sheryl King

Simon Winn

Lary Stromfeld

Alexey Surkov

Jon Roellke

Scott Longo

Jennifer Bisenius

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

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	May 2023 (11 responses)
a:	54.5%
b:	45.5%
c:	0%

Key Messages:

- Overall, continued positive momentum - 100% of respondents indicated the transition overall is progressing smoothly or generally smoothly.
- Remaining areas of focus continue to narrow.

Areas Highlighted by Respondents:

- ARRC members noted the following areas of focus:
 - The need for accelerated remediation efforts, particularly of syndicated loans and associated hedges
 - Use of the DTCC's LIBOR Replacement Index Communication Tool
 - Transition efforts in respect of USD LIBOR ICE Swap Rate
 - The application of synthetic LIBOR