

Alternative Reference Rates Committee (ARRC)

Minutes for the September 26, 2023 Meeting

The ARRC Chair welcomed participants to the virtual meeting and kicked-off by introducing a discussion on overall transition-related progress and issues observed in the market in the months following the cessation of representative LIBOR on June 30. ARRC members broadly characterized the passage and aftermath of the LIBOR transition milestone as smooth and uneventful. In particular, in regard to the loan market, staff from the Loan Syndications and Trading Association (LSTA) noted that the USD LIBOR transition has been largely completed in both the leveraged loan and CLO markets following numerous LIBOR fallback amendments executed in June and several add-on amendments completed in the following months. The LSTA highlighted, however, that while a loan or CLO may currently reference SOFR, the contracts may not start making payments based on SOFR until the next interest rate reset period. In terms of operational considerations, the LSTA suggests that agent banks ensure that their rate reset notices separate the credit spread adjustment (CSA), margin, and all-in rate from the reference rate in order to provide lenders increased visibility into each interest rate component and comply with managed portfolio (such as CLO) indentures. (Appendix A)

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. As of September, more than 126 thousand notifications had been received by the tool. (Appendix B) Usage of the tool across issuers, agents, trustees, and market data providers has reportedly been smooth. It was noted that a majority of securities have now had their last LIBOR-linked coupons, with coupon resets to alternative reference rates such as SOFR having largely occurred throughout August and September.

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. They indicated that the ARRC position request letter had been formally filed with the CFTC and was currently under review.

In the final segment, the ARRC discussed a draft of its closing report which is intended to provide an overview of its final reflections on the transition from LIBOR. The ARRC Chair ended the meeting by requesting members to review the [September 26 Meeting Readout](#), which was subsequently published, and to provide feedback on the draft ARRC closing

report. The ARRC Chair thanked the members and noted that the next ARRC meeting will be held in-person later this Fall.

Attendance at the September 26, 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 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
CME Group	Agha Mirza
Comerica Bank	Mathew Cornish
Deutsche Bank	Kayam Rajaram
Fannie Mae	Wells Engledow
Fannie Mae	Bob Ives
Ford	Jason Behnke
Freddie Mac	Ameez Nanjee
Freddie Mac	Guim Barbour
Freddie Mac	Samuel Chapin
Freddie Mac	Allan Krinsman
Freddie Mac	Karen Pilewski
GE Capital	Fred Robustelli
GE Capital	Mike Taets
Goldman Sachs	Guillaume Helie
Government Finance Officers Association	Cindy Harris
Government Finance Officers Association	Emily Brock
HSBC	Kelli Keenan
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	Tess Virmani
Loan Syndications and Trading Association	Meredith Coffey
MetLife	Joseph Demetrick
MetLife	Alex Strickler
MetLife	William Ding

Morgan Stanley
National Association of Corporate Treasurers
PIMCO
PNC
PNC
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
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 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
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. Treasury
U.S. Treasury
U.S. Treasury

Observers

Bank of Canada
BNP Paribas

Maria Douvas-Orme
Tom Deas
Jerry Woytash
Alexander Spiro
Andrew Wilson
Gary Horbacz
Chris McAlister
Chris Killian
Sumant Gupta
Kristen Malinconico
Jessica Murphy
Alexis Pederson
Don Sinclair

Alicia Lewis
Abhishek Agarwal
Irina Leonova
Daniel Coates
Jim Winning
Muna Sisay
Pooja Gupta
Jamie Pfeifer
Justine Hansen
Mari Baca
Sophie Legrand-Green
Betsy Bourassa
David Bowman
Carol Vilsack
Kevin Walsh
Ang Middleton
Maria Chelo De Venecia
Michelle Danis
Jason Leung
Dan Harty
Thomas Teles
Anu Murgai
Timothy Chu

Sheryl King
Simon Winn

Cadwalader
Deloitte
Morgan Lewis
State Street

Lary Stromfeld
Alexey Surkov
Jon Roellke
Scott Longo

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

Appendix A

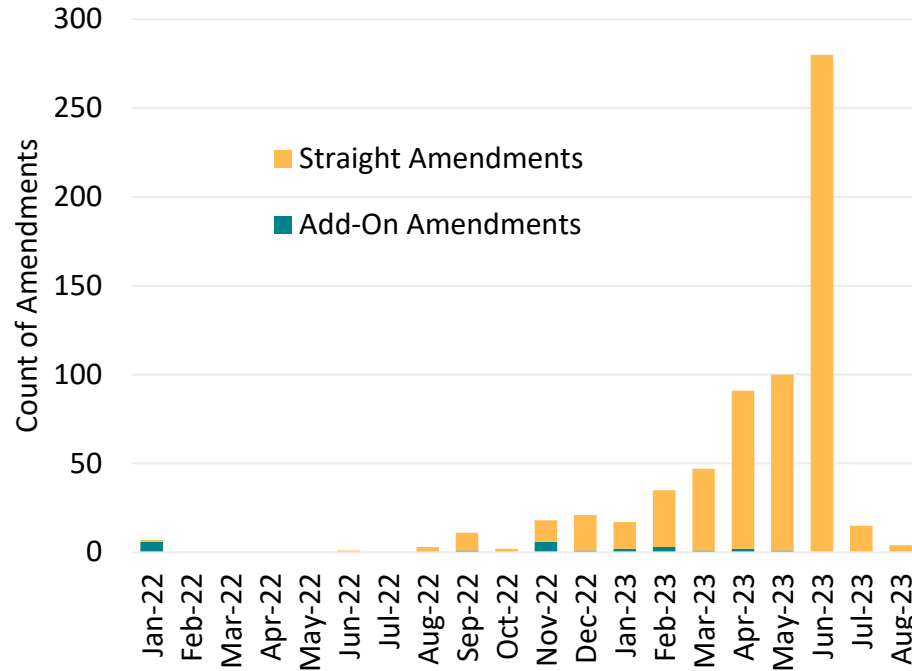


USD LIBOR Transition for Business Loans

September 2023

LIBOR Transition: Status as of Sept 2023

Lev Loan LIBOR Transition Amendment Activity:
Busy June, Some Post-June 30 Amendments



- USD LIBOR transition has been largely completed in the US BSL Leveraged Loan and CLO markets.
- LevFin Insights publicly tracked a flurry of “LIBOR Fallback” amendments in June 2023, and several clean-up amendments were executed in July and August.
- J.P. Morgan tracks reference rate language. As of the end of August, 76% of the loans in the J.P. Morgan Leveraged Loan Index referenced SOFR and 99% of CLO floating rate liabilities referenced SOFR.
- It is important to understand that while a loan or CLO liability may already reference SOFR, they may not start paying SOFR until the next interest period begins.

LIBOR Transition: Operational Suggestions for Business Loans

- Ideally, agents should help lenders have visibility into each interest rate component by utilizing the individual fields in their interest rate and rollover notices to separately depict:
 1. Reference Rate (SOFR)
 2. CSA
 3. Margin
 4. All-in-Rate
- In a SOFR reference rate environment, many managed portfolios' indentures require that the Weighted-Average-Spread tests separately depict Reference Rate (SOFR) / CSA / Margin / All-in-Rate.
- If agent banks have not configured their notices to separate the CSA from the reference rate (or state explicitly that the CSA is 0.00 and then incorporate it into the reference rate value), it has been necessary to manually review the portfolios each month to separate the two rates to generate CLO compliance reports.

LIBOR Tool Metrics



- September to date has seen the lowest number of submissions, 25 as of the 13th.
- Largest number of submissions have been from issuers where Fannie Mae and Freddie Mac accounted for 55.3% and 41.8% of the total Issuer submissions, respectively.
- In terms of the benchmarks submitted to the tool, majority was Term SOFR with 71%, followed by other SOFR Based ARR (e.g., SOFR 30,90,180) with 28%.

Submitter Type	Term SOFR	SOFR Based ARRs*	Other ARR**	Total	% of Total
Issuer	49,033	33,840	898	83,771	66.2%
Trustee	18,821	424	209	19,454	15.4%
Other	11,373	1,247	6	12,626	10.0%
Calculation Agent	7,426	226	344	7,996	6.3%
Paying Agent	1,751	22	61	1,834	1.5%
Determining Person	773	13	12	798	0.6%
Grand Total	89,177	35,772	1,530	126,479	100.0%

*SOFR Based ARRs include SOFR 30, SOFR 90, SOFR 180, SOFR Spread-Adjusted ISR 5Y, SOFR Spread-Adjusted ISR 10Y, and SOFR Spread-Adjusted ISR 30Y

**Other ARR also includes submissions where Fallback Rate Index value is blank