

Alternative Reference Rates Committee (ARRC)

Minutes for the January 10, 2022 Meeting

The ARRC Chair welcomed participants to the virtual meeting and introduced John Williams, the President of the Federal Reserve Bank of New York, who delivered remarks thanking the committee for their work in facilitating a smooth transition from LIBOR and highlighting the positive momentum going into 2022. President Williams noted that over the coming year, the ARRC can continue to play a key role in monitoring progress in the transition away from LIBOR to robust reference rates, and in ensuring industry preparedness for the end of LIBOR publication in mid-2023.

Next, the Chair noted that the Financial Stability Oversight Council (FSOC) received an update from staff of the Federal Reserve on the transition from LIBOR at its December 17th meeting. Discussion among the FSOC members acknowledged the positive progress made in the LIBOR transition heading into year end, underscored the importance of transitioning to more durable rates, such as SOFR, and highlighted the importance of adopting federal legislation to support the transition of legacy contracts. The Chair highlighted comments from FSOC Principals that commended the ARRC for its efforts to facilitate this progress.

The Legal Working Group then provided an update on the status of proposed federal legislation. It was noted that the House of Representatives passed H.R. 4616, the Adjustable Interest Rate (LIBOR) Act in December 2021 and the bill is now with the Senate Committee on Banking, Housing, and Urban Affairs. The working group noted that the Senate committee members are actively engaged in reviewing the bill. The discussion on federal legislation was followed by an update on state legislation. A number of states are in varying stages of considering a LIBOR legislation similar to the legislation passed by New York and Alabama in 2021. Members were encouraged to reach out to state organizations that they had relationships with to increase awareness and emphasize that legislation addressing the transition of tough legacy LIBOR contracts was of importance. It was emphasized that both federal and state legislative efforts are parallel workstreams as passage of a federal legislative solution is not guaranteed.

The Tax/Accounting Working Group noted that the Internal Revenue Service (IRS) had published final IBOR regulations in the *Federal Register*. The IRS's final regulations discuss the ARRC's work, including participation by ex officio members that include the Treasury Department, and the ARRC's development of recommended fallback language for inclusion in the terms of certain cash products, such as syndicated loans and securitizations. The IRS noted that in October 2020, the Treasury Department and the IRS released Rev. Proc. 2020-44, 2020-45 I.R.B. 991, in advance of finalizing the proposed regulations to support the adoption of the ARRC's recommended fallback provisions and the ISDA 2020 IBOR Fallbacks Protocol. The final regulations authorize the ARRC to determine what should be a "qualified rate" to replace an IBOR so long as the Federal Reserve Bank of New York continues to be an ex officio member of

the ARRC. Last, the Treasury Department and IRS projected that the final regulations, “by implementing the regulatory provisions requested by ARRC and taxpayers, will help facilitate the economy’s adaptation to the cessation of LIBOR in a least-cost manner.”

Next, the Regulatory Working Group Chairs provided an update on the work of the group which included the submission of a letter by ARRC members requesting an extension and related modifications to no-action relief issued by the U.S. Commodity Futures Trading Commission (CFTC). In particular, the ARRC had requested certain CFTC letters relating to the LIBOR transition be extended, considering many USD LIBOR settings will continue to be published until June 30, 2023. The CFTC issued revised no-action letters to swap dealers and other market participants on December 22, 2021. The letters provided relief particularly to older, legacy swaps and contained conditions for counterparties to qualify for relief.

ARRC members discussed progress on the transition in non-US dollar and US dollar cash and derivatives markets over year-end, indicating that the milestone year-end transition from LIBOR went smoothly. Members described continued and accelerated progress in the transition to the Secured Overnight Financing Rate (SOFR) across cash and derivatives markets ahead of the 2021 year-end milestone and into the start of the new year (see Appendix A for charts). In Q4 2021, SOFR swap volumes more than doubled relative to the volume of SOFR swaps traded during the first three quarters of 2021. It was noted that, the amount of SOFR risk traded in the swaps market had surpassed LIBOR in January and now represented the majority of risk traded. SOFR futures also continue to see progress with SOFR futures volumes rising to about 25 percent of Eurodollar futures volume compared to only 2 percent a year ago. In option markets, participants indicated that there was a baseline level of streaming liquidity in SOFR options. Issuance activity of SOFR-linked loans increased in December 2021 with participants generally noting a strong pipeline ahead. However, some members pointed out that, despite the progress in SOFR futures trading volumes, LIBOR trading remained the majority of futures volumes and that further progress was needed to ensure that futures markets reflected the shift in swaps and loan markets. To close the discussion, ARRC members were reminded that they will be sent the sentiment survey for another round of feedback shortly.

The ARRC Chair ended the meeting by thanking everyone and reminding everyone of the next ARRC meeting to be held February 16th via Webex.

Attendance at the January 10, 2022 Meeting*

ARRC Members

American Bankers Association
American Bankers Association
Association for Financial Professionals
Bank of America
Bank of America
Bank of America
Bank of New York Mellon
Bank of New York Mellon
Bank of New York Mellon
BlackRock
BlackRock
Citigroup
CME Group
Comerica Bank
CRE Finance Council
CRE Finance Council
Deutsche Bank
Deutsche Bank
Equitable
Fannie Mae
Fannie Mae
Federal Home Loan Bank Office of Finance
Federal Home Loan Bank of New York
Federal Home Loan Bank of New York
Ford Motor Company
Freddie Mac
Freddie Mac
Freddie Mac
Freddie Mac
Freddie Mac
GE Capital
GE Capital
Goldman Sachs
Goldman Sachs
Goldman Sachs
Government Finance Officers Association
Government Finance Officers Association
HSBC
Huntington National Bank
Intercontinental Exchange
International Swaps and Derivatives Association

Hu Benton
Andy Guggenheim
Thomas Hunt
Greg Todd
Janet Choi
Sonali Theisen
Jason Granet
Oliver Bader
Jeanne Naughton-Carr
Jack Hattem
Alexander Krol
Josie Evans
Agha Mirza
Dave Shipka
Raj Aidasani
Sairah Burki
Adam Eames
Kayam Rajaram
Julien Zusslin
Wells Engledow
Bob Ives
Kyle Lynch
Phil Scott
Rei Shinozuka
Jason Behnke
Ameez Nanjee
Guim Barbour
Michelle Thomas
Timothy O'Neill
Karen Pilewski
Fred Robustelli
Mike Taets
Guillaume Helie
Richard Chambers
Alan Farrell
Patrick McCoy
Emily Brock
Shirley Hapangama
Beth Russell
Harvey Flax
Ann Battle

JP Morgan Chase & Co.
JP Morgan Chase & Co.
JP Morgan Chase & Co.
JP Morgan Chase & Co.
KKR
LCH
Loan Syndications and Trading Association
Loan Syndications and Trading Association
MetLife
MetLife
MetLife
Morgan Stanley
Morgan Stanley
Morgan Stanley
Morgan Stanley
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
Pacific Investment Management Company
PNC
PNC
Prudential Financial
Prudential Financial
Securities Industry and Financial Markets Association
Securities Industry and Financial Markets Association
Structured Finance Association
TD Bank
TD Bank
U.S. Chamber of Commerce
Wells Fargo
Wells Fargo
World Bank

Alice Wang
Emilio Jimenez
John Van Etten
Katherine Morgan
Tal Reback
Phil Whitehurst
Meredith Coffey
Tess Virmani
Alex Strickler
Joe Demetrick
William Ding
Maria Douvas-Orme
Matt Ochs
Tom Wipf
Priya Bindra
Paige Mandy
Thomas McCrocklin
Tom Deas
Jerry Woytash
Alexander Spiro
Andrew Wilson
Chris Mcalister
Gary Horbacz
Robert Toomey
Chris Killian
Jennifer Earyes
Priya Misra
Greg Moore
Kristen Malinconico
Brian Grabenstein
Alexis Pederson
Donald 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

Alicia Lewis
Abhishek Agarwal
Irina Leonova
Daniel Coates
Muna Sisay
John Williams
Betsy Bourassa
Fatima Madhany
Pooja Gupta
Jamie Pfeifer

Federal Reserve Bank of New York
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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
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Federal Reserve Board of Governors
Federal Reserve Board of Governors
Ginnie Mae
Ginnie Mae
Office of Financial Research
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
U.S. Treasury

Observers

BNP Paribas
Bank of Canada
Brunswick
Cadwalader
Credit Suisse
Davis Polk & Wardwell
Morgan Lewis
Venerable

Nathaniel Wuerffel
Raymond Check
Will Riordan
Justine Hansen
Mari Baca
Cam Fuller
Scott Sherman
Caren Cox
Darren Gersh
David Bowman
Erik Heitfield
Evan Winerman
Jeffrey Huther
Jon Blaha
Michael Nardacci
Jay Kahn
Ang Middleton
Kevin Walsh
Joshua Miller
Jason Leung
Michelle Danis
Tamara Brightwell
Daniel Harty
Dini Ajmani
Sui Ngan Au Yeung
Joshua Frost

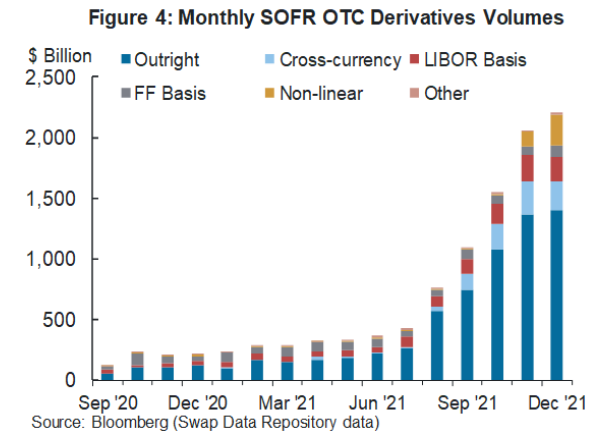
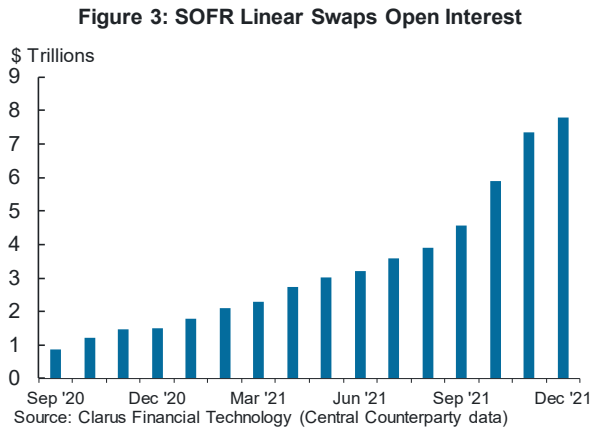
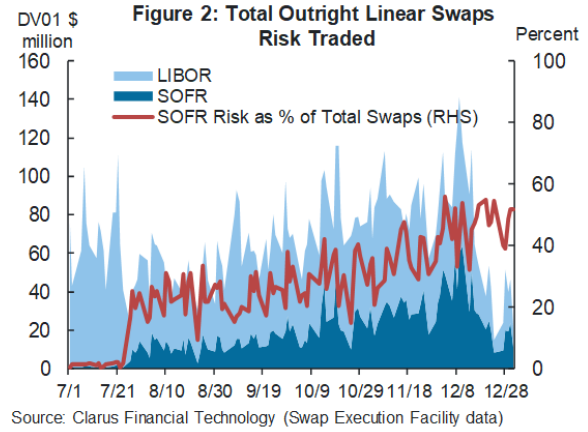
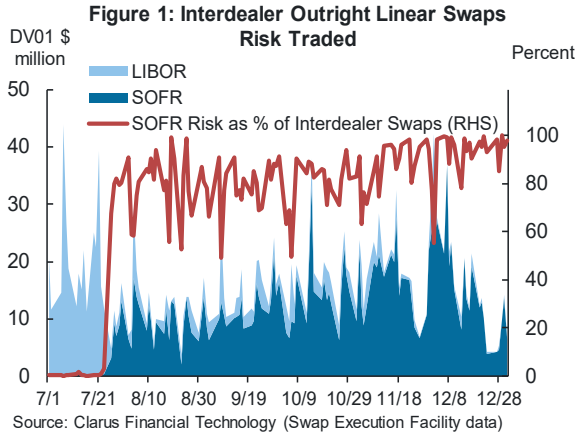
Simon Winn
Sheryl King
Nathan Kline
Lary Stromfeld
Maureen Smith
Lucy Farr
Jon Roellke
Charles Schwartz

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

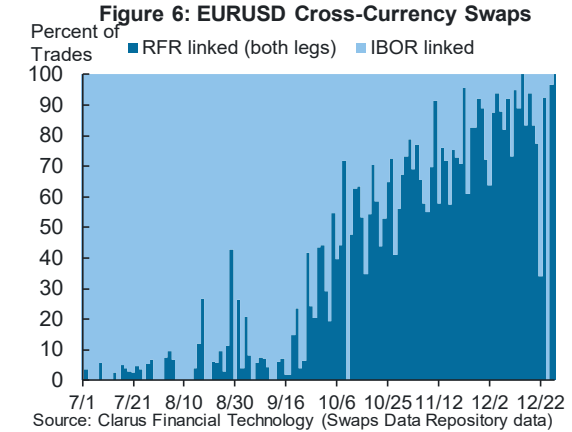
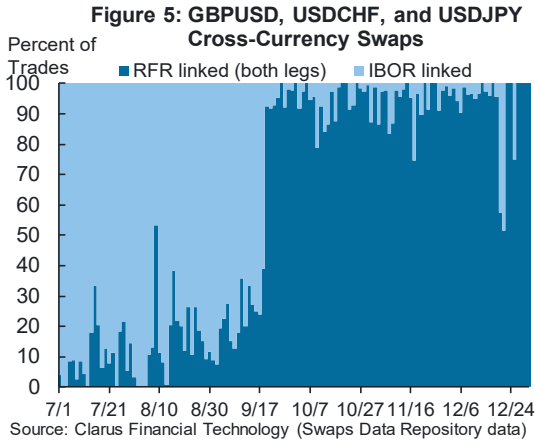
Appendix A

LIBOR Transition Update

Linear Swaps

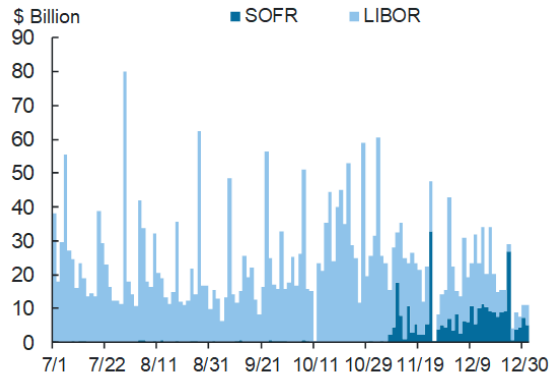


Cross-Currency Swaps



Non-linear Derivatives

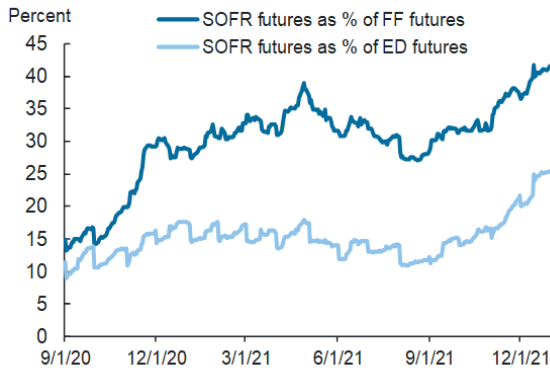
Figure 7: Swaption Volumes



Source: Clarus Financial Technology (Swaps Data Repository data)

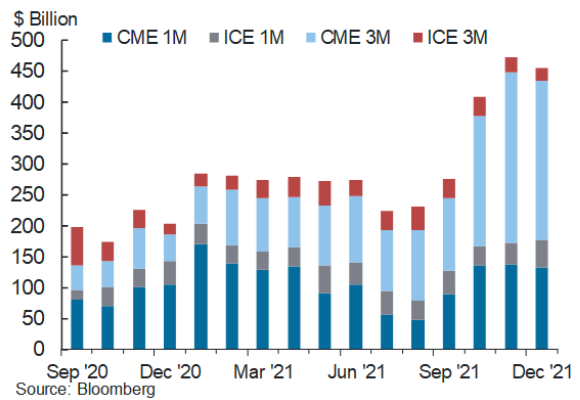
Exchange-traded Derivatives

Figure 8: SOFR Futures Open Interest as a Proportion of Fed Funds and Eurodollar Futures Open Interest



Source: Bloomberg

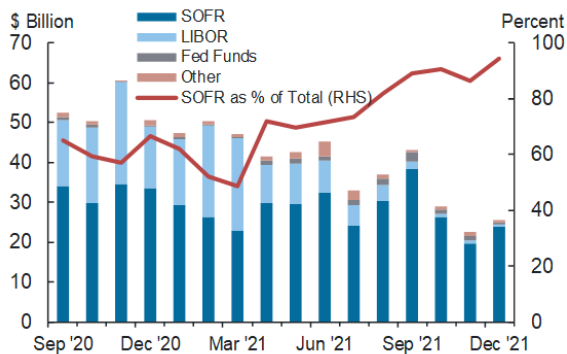
Figure 9: Average Daily Notional SOFR Futures Volumes



Source: Bloomberg

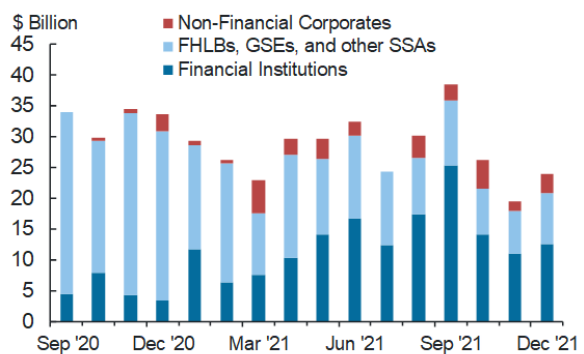
Cash Products

Figure 10: FRN Issuance by Reference Rate



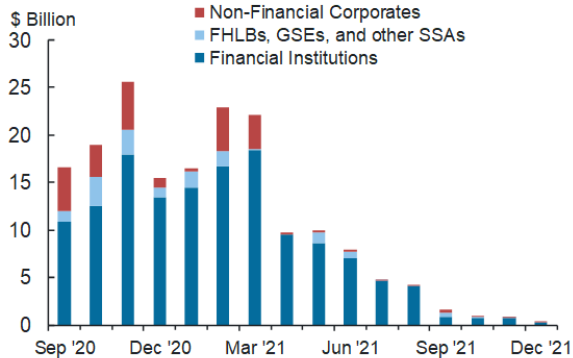
Source: Bloomberg
Note: Excludes issuance by U.S. Treasury.

Figure 11: SOFR FRN Issuance by Issuer Type



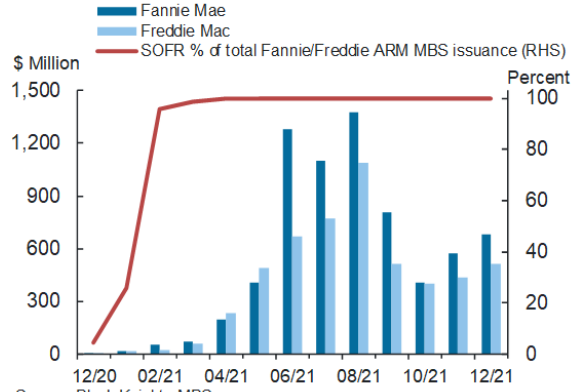
Source: Bloomberg
Note: Excludes issuance by U.S. Treasury.

Figure 12: LIBOR FRN Issuance by Issuer Type



Source: Bloomberg
 Note: Excludes issuance by U.S. Treasury.

Figure 13: SOFR-indexed ARM Agency MBS Issuance



Source: Black Knight-eMBS