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Ms. Sandra O'Connor
Chair
Alternative Reference Rates Committee
Federal Reserve Bank of New York
33 Liberty Street, New York, NY 10045
arrc@ny.frb.org

Via email

Dear Ms. O'Connor:

Bloomberg, L.P. ("BLP") appreciates the opportunity to provide input on the Alternative Reference Rates Committee's ("ARRC") consultation request regarding its *Interim Report and Consultation* ("Report").[1] BLP commends your work as Chair of the ARRC and the work of the ARRC as a whole.

BLP, the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company's strength – delivering data, news and analytics through innovative technology, quickly and accurately – is at the core of the Bloomberg Professional service, which provides real time financial information to more than 325,000 subscribers globally.

BLP is focused on giving our customers the financial tools they need to navigate the markets and develop and execute their financial and business strategies. BLP has a strong interest in having a benchmark that is well-governed, highly resistant to manipulation, and properly calibrated to lending risks.

BLP offers the following responses to the consultation:

1) The ARRC has narrowed its focus to two potential alternative rates, the Overnight Bank Funding Rate ("OBFR") and an overnight Treasury general collateral repo rate. Do you have a preference between these two rates? If so, why?

The OBFR has advantages in that it is based on a robust pool of market transactions, including both overnight fed funds and Eurodollar transactions. BLP agrees that including both pools of transactions makes the OBFR more attractive than the Effective Federal Funds Rate ("EFFR") both because it increases liquidity and it is not the target of federal monetary policy.

While the general collateral finance ("GCF") repo market is potentially a larger pool of liquidity on which to base an alternative rate, there appears to be much less certainty amongst the ARRC as to how it would work as indicated in the Report.[2]

[1] The report and consultation can be found at the following link: https://www.newyorkfed.org/medialibrary/microsites/arrc/files/2016/arrc-interim-report-and-consultation.pdf?la=en (May 2016).
[2] See id. at 17-18.

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One potential advantage of a GCF-based rate is that an element of liquidity and credit risk could potentially be built in. However, given the uncertainty as to how a GCF-based rate would work in practice, and given the current lack of transparency into parts of the repo market, BLP believes an OBFR-based rate is the better choice.

Swap and fixed income instrument valuation is dependent upon fair and open access to reference rates. Whichever rate is chosen as an alternative, BLP believes it is critical that market participants and independent software venders have fair access to and use of the data, including the right to create derivative works.

7) Under the paced transition plan, if markets referencing the new rate were sufficiently liquid would you:

a. Be willing and able to trade to convert legacy contracts referencing EFFR as the floating index in your swaps to reference the new rate, and receive/pay any transparent at-market price change, given a basis market?

b. Be willing to amend your credit support annexes ("CSAs") to reference the new rate as the interest rate for cash collateral and receive/pay any transparent at-market price change due to change in discount regime?

c. Be willing to migrate cleared positions that had price alignment interest ("PAI") based on the EFFR to contracts that had PAI based on the new rate, assuming you would be compensated for price changes?

On a trading venue such as Bloomberg Swap Execution Facility ("BSEF"), transition instruments such as basis swaps could be offered and market quotes from dealers/brokers on our platform could be displayed to enhance market transparency.

15) Do you think the paced transition would have an adverse impact on the corporate bond market, consumer loans, or securitizations? What would be needed for these types of products to reference the new rate?

Any transition to a new rate needs to be done thoughtfully and carefully given the extent to which LIBOR underlies many financial instruments. While there will inevitably be costs and friction created by a transition, these can be minimized by having a transparent and open plan that has substantial consultation with market participants.

Thank you for the opportunity to provide comment. If you have any further questions, please do not hesitate to contact Eric Juzenas in our Global Regulatory Policy group at ejuzenas@bloomberg.net or 202-807-2038.

Sincerely,

Bloomberg, L.P.

By: Harry Lipman
Global Derivatives Product Manager: Counterparty Risk and Regulation