

Alternative Reference Rates Committee (ARRC)

Minutes for the October 22, 2015 Meeting

1. The ARRC approved minutes from the September 29, 2015 meeting.
2. Working Group 3 (Internal Firm Analysis) presented an updated template containing the steps a firm might need to take to adopt a new rate. The ARRC suggested incorporating more steps related to the replacement of the Effective Federal Funds Rate (EFFR) in some contracts as this would be the first step towards creating liquidity in and marketplace acceptance of a new rate (Phase 1). Phase 1 would be followed by steps to replace LIBOR with the new rate in other derivatives contracts (Phase 2). The ARRC agreed that after updating the template, WG3 would identify critical steps and then gather feedback from ARRC members in order to identify which steps could have the biggest impact on the length of the implementation timeline.
3. Working Group 4 (External Market Participant Analysis) and the ARRC discussed the importance of an analysis of the size and segmentation of different types of market participants in the derivatives markets referencing the EFFR and LIBOR to inform the market participant scope of the implementation plan. WG4 will continue to explore alternatives for analyzing data that involve using existing data collections.
4. Working Group 1 (Phase 1) sought feedback from the ARRC members on aspects of replacing the EFFR in some contracts that would be most important for market acceptance of a new rate. The ARRC agreed that switching the reference rate in price alignment interest (PAI) and the discount curve used by CCPs and clearing members from the EFFR to the new rate would be an appropriate first step to help create demand for the new rate by dealers. The ARRC felt that the rates used for calculating PAI and the rates used in discount curves should be changed at the same time to the new rate, and acknowledged that such a change by CCPs would require market participant demand for a switch. The ARRC discussed potential challenges to switching from the EFFR to a new rate in bilateral contracts as well. WG1 felt that it needed additional data analysis to inform a proposal for replacing the EFFR in these uncleared contracts.
5. Working Group 2 (Phase 2) discussed several scenarios for replacing LIBOR with the new rate in USD interest rate swaps; these scenarios differed in their trade-off between implementation complexity and broader market participation. WG2 felt that additional information on market participant segments and end-user willingness to adopt a new rate were required to further refine the Phase 2 implementation approach.
6. The Chair shared a proposed outline for an ARRC progress report, and ARRC members had no comments. The report would consist of a more detailed description of the rate options the ARRC is considering and description of the ARRC's current work on an implementation plan. The progress report would also highlight topics where the ARRC is seeking feedback from other market participants.

Alternative Reference Rates Committee (ARRC) Attendance for the October 22, 2015 Meeting

ARRC Member Attendees:

Bank of America	Paul Scurfield
Barclays	Brian Rozen
BNP	Adrian Averre
BNP	Virginie Delaunay
Citigroup	Stephen Compton
Citigroup	Heraclio Rojas
Credit Suisse	Shane O’Cuinn*
Goldman Sachs	Scott Rofey
HSBC	Pieter van Vredenburg
JP Morgan Chase	Terry Belton
JP Morgan Chase	Sandie O’Connor
JP Morgan Chase	Javier Sepulveda-Navarro*
JP Morgan Chase	Thomas Hughes*
JP Morgan Chase	Sean Savage
JP Morgan Chase	Alice Wang
Morgan Stanley	Tom Wipf
Nomura	Steve Licini*
Nomura	JJ Lando*
RBS	Graham Broyd
Societe Generale	Sylvain Cartier
UBS	Kevin Arnold
Wells Fargo	Ben Bonner

ARRC Non-Voting Member Attendees:

Bank of New York Mellon	Jim Wiener*
CME	Agha Mirza
DTCC	Dan Thieke*
ISDA	Katherine Darras*
LCH	Dan Maguire*

Ex Officio Member Attendees:

Federal Reserve Board	David Bowman
Federal Reserve Board	Jerome Powell
Federal Reserve Bank of New York	Ray Check
Federal Reserve Bank of New York	Josh Frost
Federal Reserve Bank of New York	Will Riordan
Federal Reserve Bank of New York	Jacqueline Yen
U.S. Treasury Department	Anna Boutov
Office of Financial Research	Matthew McCormick

* indicates participation by phone