Alternative Reference Rates Committee (ARRC)
Minutes for the July 24, 2018 Meeting

1. ARRC members discussed recent remarks made by Financial Conduct Authority (FCA) Chief Executive Andrew Bailey that highlighted the possibility that the use of LIBOR could be prohibited under the EU's Benchmark Regulation if FCA or the LIBOR administrator determined that LIBOR was not representative even if it continues to be produced. Federal Reserve staff suggested that ARRC members should consider the possibility that the use of LIBOR in certain new contracts could be prohibited for supervised EU entities while allowing for the continued use of LIBOR by those entities in legacy contracts. The ARRC Chair noted that such an outcome could be problematic as it would result in a fragmented market and suggested that the Committee should consider the potential impacts of such an outcome on the liquidity of derivatives and securities that reference LIBOR. The Committee debated whether it would be preferable for LIBOR to stop at such a point or for legacy contracts to move to successor rates rather than continue to reference LIBOR. The Committee recommended that working groups include and publicly consult on draft contract language for cash products that would trigger a successor rate in this event.

2. The ARRC agreed that Wells Fargo would chair the Floating Rate Notes (FRN) working group. The new Chair of the working group provided an update on the fallback language being developed by the group, noting the preference for a "hardwired" approach that sets out very specific waterfalls for designating the successor rate and the spread adjustment in the event of LIBOR cessation. The ARRC agreed that it would develop a public consultation for fallback language for FRNs with the goal of recommending language by the end of the year.

3. The co-Chairs of the Business Loans/CLOs working group noted that the group had been pursuing two approaches to fallback language: a hardwired approach and a more flexible approach that allows for contract parties to negotiate terms in the event of LIBOR cessation. The co-Chairs noted that there was widespread agreement that more hardwired language would need to be in place before a LIBOR cessation, but that some market participants might be reluctant to commit to such language currently and that the flexible approach could have utility in improving fallbacks in the near term while recognizing that it would necessitate further amendments to a more hardwired approach before the end of 2021. The ARRC Chair requested that the group seek consensus between the two approaches where possible. The ARRC agreed that it would develop a public consultation for fallback language for syndicated loans with the goal of recommending language by the end of the year.

4. The co-Chairs of the Securitizations Working Group provided an update on its work to develop fallback language. They detailed the progress the group had made on developing trigger language that would work across asset classes and reflect the basis risk that is unique to securitizations, with the need to manage both assets and liabilities. The co-Chairs noted plans to further accelerate the progress the working group had made.

5. ISDA reminded everyone that while it did not object to including references to the fallbacks ISDA expects to implement or certain aspects of those fallbacks (e.g., the spread), ISDA cannot make any representations regarding whether the fallbacks it implements in its standard documentation for derivatives would be appropriate for non-derivatives. ISDA encouraged market participants to consider and analyze the details of the fallbacks ISDA expects to implement for derivatives and determine independently whether they would be appropriate for non-derivatives.

6. The next ARRC meeting is scheduled to take place on September 20, 2018 from 3:00-5:00 p.m.

Attendance at the July 24, 2018 Meeting

ARRC Members

AXA	Julien Zusslin
Bank of America	Paul Scurfield
BlackRock	Jack Hattem
Citigroup	Dina Faenson
CME	Fred Sturm
Deutsche Bank	Jill Hurwitz
Fannie Mae	Nadine Bates
Fannie Mae	Wells Engledow
Freddie Mac	Ameez Nanjee
GE Capital	Michael Taets*
Goldman Sachs	Scott Rofey
Government Finance Officers Association	Pat McCoy
HSBC	Shirley Hapangama
Intercontinental Exchange	Chris Edmonds*
International Swaps and Derivatives Association	Ann Battle
International Swaps and Derivatives Association	Katherine Darras
JP Morgan	Sandie O'Connor
JP Morgan	Terry Belton
JP Morgan	Perry Elbadrawi
JP Morgan	Andrew Gray
JP Morgan	Emilio Jimenez
LCH	David Horner*
Met Life	Jason Manske*
Met Life	Kevin Budd*
Morgan Stanley	Tom Wipf
Morgan Stanley	Maria Douvas-Orme
National Association of Corporate Treasurers	Tom Deas
TD Bank	Greg Moore
The Federal Home Loan Banks, through FHLBNY	Phil Scott*
The Federal Home Loan Banks, through FHLBNY	Vikram Dongre
The Loan Syndications and Trading Association	Meredith Coffey
The Securities Industry and Financial Markets Association	Chris Killian
Wells Fargo	Brian Grabenstein
World Bank Group	Don Sinclair*

Ex-Officio ARRC Members

Bureau of Consumer Financial Protection	Abhishek Agarwal*
Commodity Futures Trading Commission	Sayee Srinivasan
Federal Deposit Insurance Corporation	Irina Leonova*
Federal Housing Finance Agency	Dan Coates*
Federal Reserve Bank of New York	Matt Lieber
Federal Reserve Bank of New York	Josh Frost
Federal Reserve Bank of New York	Ray Check

Federal Reserve Bank of New York	William Riordan
Federal Reserve Bank of New York	Caren Cox
Federal Reserve Bank of New York	Justine Hansen
Federal Reserve Bank of New York	Adhiraj Dutt
Federal Reserve Bank of New York	Woojung Park
Federal Reserve Board of Governors	David Bowman
Office of Financial Research	Sriram Rajan
Office of the Comptroller of the Currency	Kevin Walsh*
U.S. Securities and Exchange Commission	David Metzman*
U.S. Securities and Exchange Commission	Michelle Danis*
U.S. Treasury	Brian Smith*
U.S. Treasury	Chloe Cabot

Observers

American Bankers Association	Barry Mills
Bank of Canada	Sheryl King
BNP Paribas	Simon Winn
CRE Finance Council	Lisa Pendergast*
Morgan Lewis	Jon Roellke*
Structured Finance Industry Group	Sairah Burki*

*Indicates participation by telephone