

# Alternative Reference Rates Committee (ARRC)

## Minutes for the October 18, 2018 Meeting

1. ARRC members discussed the ongoing public consultations on recommended fallback contract language for floating rate notes and syndicated business loans. The ARRC agreed that Committee members and working group participants should be encouraged to respond to the consultations. The ARRC Chair noted that working groups would incorporate feedback received and deliver a set of recommended fallback contract language at an upcoming ARRC meeting.<sup>1</sup>
2. The Chairs of the Securitizations and Business Loans/CLOs working groups noted that consultations on fallback contract language for securitizations and bilateral loans would be shared with the ARRC soon. The ARRC Chair noted that working groups should coordinate to achieve alignment with each other in their consultations for recommended fallback contract language.
3. The co-Chairs of the Regulatory Issues working group noted that following the previously issued [regulatory letter](#), the group would work on providing the CFTC and the Market Risk Advisory Committee with suggestions on the specific types of regulatory relief that would help the transition away from LIBOR. The co-Chairs proposed working with the Market Structure and Paced Transition working groups to develop a template of likely methods that market participants would use to close out positions from LIBOR to SOFR in order to identify specific forms of action that would need relief.
4. The co-Chairs of the Term Rate working group discussed efforts to develop a forward-looking SOFR term rate and presented a working draft of a proof of concept that had been developed by the working group.<sup>2</sup> ARRC members discussed the approach and noted that there may be other approaches for developing this kind of term rate. The co-Chairs noted that, for informational purposes, the ARRC is exploring the periodic publication of an indicative forward-looking term rate from this model on the ARRC website. The co-Chairs noted that this indicative rate would help market participants become familiar with how a forward-looking SOFR term rate might behave, but emphasized that this type of indicative rate should not be used in transactions or contracts given its informal nature. The ARRC Chair noted that for the ARRC to ultimately recommend a forward-looking SOFR term rate that could be used as a benchmark in contracts, activity in SOFR derivatives would need to increase significantly and that the rate would need to comply with IOSCO Principles for Financial Benchmarks.
5. ARRC members discussed ways to further develop liquidity in SOFR derivatives. Some members noted that volumes and open interest are increasing in SOFR futures and that further increases would attract greater participation; however, it was noted that there were likely limits to this growth unless use of SOFR in cash markets continued to grow. There was a discussion of the

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<sup>1</sup> The ARRC subsequently [announced](#) that in response to requests from market participants, the comment period for public feedback on its LIBOR fallback contract language consultations for floating rate notes and syndicated business loans would be extended until November 26, 2018.

<sup>2</sup> Once the working draft is finalized, these materials will be posted on the ARRC website.

conditions needed in order to promote regular issuance programs of SOFR floating rate notes. It was also noted that while the forward-looking SOFR term rate would be valuable to small and mid-sized borrowers in the corporate loan market, some larger and more sophisticated borrowers could readily adopt to loans based on SOFR. Some members suggested that market participants needed further education about SOFR, noting for example that some market participants are not aware that there is [historical repo rate data](#) going back to 1998. Some members also noted that liquidity would build once technology and systems issues are addressed and after there is clarity on the fallback language consultations and FASB accounting standards (which were subsequently [released](#)).

6. ARRC members considered whether there are potential options to seek legislative relief from the New York State Legislature in order to mitigate risks related to legacy contracts for cash products in the event of a LIBOR cessation. Participants noted that while the ARRC is working toward recommending fallback contract language for new contracts, it may not be possible to amend certain legacy contracts to account for the permanent cessation of LIBOR and in that context provide economically appropriate fallbacks that would minimize value transfer if triggered. As a result, it was noted that while exploring potential legislative options would be challenging, it could be sensible to consider such options.

## Attendance at the October 18, 2018 Meeting

### ARRC Members

|   |                     |
|---|---------------------|
| AXA   | Rudolph Shally*     |
| Bank of America                                 | Alex van Voorhees   |
| Bank of America                                 | Paul Scurfield      |
| BlackRock                                       | Jack Hattem         |
| Citigroup                                       | Christoph Rode      |
| CME   | Fred Sturm          |
| Deutsche Bank                                   | Adam Eames          |
| Deutsche Bank                                   | Vishal Mahadkar     |
| Fannie Mae                                      | Nadine Bates        |
| Fannie Mae                                      | Wells Engledow*     |
| Freddie Mac                                     | Ameez Nanjee*       |
| GE Capital                                      | Michael Taets*      |
| Goldman Sachs                                   | Alexander Blanchard |
| Goldman Sachs                                   | Amy Hong*           |
| Goldman Sachs                                   | Jason Granet        |
| Government Finance Officers Association         | Emily Brock*        |
| HSBC  | Gregory Pierce*     |
| Intercontinental Exchange                       | Raymond Kahn        |
| International Swaps and Derivatives Association | Ann Battle          |
| JP Morgan                                       | Alice Wang          |
| JP Morgan                                       | Andrew Gray*        |
| JP Morgan                                       | Emilio Jimenez*     |
| JP Morgan                                       | Omar Altahawi*      |
| JP Morgan                                       | Perry Elbadrawi*    |
| JP Morgan                                       | Sandie O'Connor     |
| JP Morgan                                       | Terry Belton*       |
| JP Morgan                                       | Vickie Alvo*        |
| LCH   | Phil Whitehurst*    |
| Met Life  | Alex Strickler      |
| Met Life  | Bill Turner*        |
| Met Life  | Kevin Budd*         |
| Morgan Stanley                                  | Maria Douvas-Orme   |
| Morgan Stanley                                  | Priya Bindra        |
| Morgan Stanley                                  | Tom Wipf            |
| National Association of Corporate Treasurers    | Tom Deas            |
| Pacific Investment Management Company           | Aaron Kim           |
| Pacific Investment Management Company           | Courtney Garcia     |
| TD Bank   | Greg Moore          |
| The Federal Home Loan Banks, through FHLBNY     | Phil Scott          |
| The Independent Community Bankers of America    | Chris Cole*         |
| The Independent Community Bankers of America    | James Kendrick*     |
| The Loan Syndications and Trading Association   | Meredith Coffey     |
| The Loan Syndications and Trading Association   | Tess Virmani*       |

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|---|-------------------|
| The Securities Industry and Financial Markets Association | Chris Killian*    |
| The Securities Industry and Financial Markets Association | Randy Snook       |
| Wells Fargo   | Alexis Pederson   |
| 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          | Adhiraj Dutt      |
| Federal Reserve Bank of New York          | Caren Cox         |
| Federal Reserve Bank of New York          | Josh Frost        |
| Federal Reserve Bank of New York          | Justine Hansen    |
| Federal Reserve Bank of New York          | Matt Lieber       |
| Federal Reserve Bank of New York          | William Riordan   |
| Federal Reserve Bank of New York          | Woojung Park      |
| Federal Reserve Board of Governors        | Chiara Scotti*    |
| Federal Reserve Board of Governors        | David Bowman      |
| Federal Reserve Board of Governors        | Erik Heitfield*   |
| Federal Reserve Board of Governors        | Evan Winerman*    |
| Federal Reserve Board of Governors        | Laura Macedo*     |
| Federal Reserve Board of Governors        | Randal Quarles    |
| Office of Financial Research              | Matt McCormick*   |
| 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       |
| U.S. Treasury                             | Peter Phelan*     |

**Observers**

|                                   |                  |
|-----------------------------------|------------------|
| American Bankers Association      | Hu Benton        |
| Bank of Canada                    | Sheryl King      |
| BNP Paribas                       | Simon Winn       |
| Cadwalader                        | Jonathan Hoff    |
| Cadwalader                        | Lary Stromfeld   |
| CRE Finance Council               | Lisa Pendergast  |
| Morgan Lewis                      | Jon Roellke*     |
| Structured Finance Industry Group | Sairah Burki*    |
| Venerable                         | Charles Schwartz |

\*Indicates participation by telephone