

## **Alternative Reference Rates Committee (ARRC) Minutes for the July 17, 2015 Meeting**

1. Following Roll Call, the Secretariat announced that ARRC members should make a best effort to be present in person at meetings. Exceptions will be considered on a case-by-case basis.
2. The Chair requested changes to the draft minutes from the June 11, 2015 ARRC meeting. The Secretariat will make the changes and then share the revised minutes with ARRC members for their approval.
3. Federal Reserve staff provided an update on LIBOR reform and on the Report of Selected Money Market Rates (FR 2420).
  - a) LIBOR reform: In early July, the Financial Stability Board (FSB) published an interim report on progress being made towards enhancing major interbank reference interest rates and developing alternative near risk-free rates.<sup>1</sup> The FSB found that progress is generally on track. Some ARRC members felt that the anticipated USD LIBOR enhancements may not be sufficient to produce a robust term reference rate incorporating credit risk.
  - b) FR 2420: Following a discussion at the June 2015 Federal Open Market Committee meeting regarding the calculation methodology of the Effective Federal Funds Rate (EFFR), the Federal Reserve Bank of New York (FRBNY) released a statement announcing that when the data source for the EFFR switches to the FR 2420, the calculation of the EFFR will change from a volume-weighted mean to a volume-weighted median.<sup>2</sup> When it is published, the overnight bank funding rate (OBFR), which will be based on FR 2420 data, also will be a volume-weighted median. These changes are expected to occur in the first few months of 2016. In addition, the Federal Reserve recently published the final approval for the revised FR 2420 data collection.<sup>3</sup>
4. During the course of the discussion on LIBOR reform, one ARRC member asked for guidance on client outreach regarding ARRC matters. Federal Reserve staff noted that any information in ARRC meeting minutes is public and can be shared with clients and also suggested that ARRC members consult with counsel at their respective firms for additional guidance.
5. The Chair of the Working Group on Sterling Risk-Free Reference Rates (Sterling Group) gave an update on the Sterling Group's work.
  - a) Information on the Sterling Group's work to date, including meeting minutes and agendas, and their criteria for evaluating a risk-free rate can be found on the Group's [website](#).
  - b) ARRC members discussed the benefits of coordinating their work with the Sterling Group and similar groups in other jurisdictions. The Sterling Group Chair and ARRC Chair agreed to provide regular updates on their respective group's work at each other's meetings. The ARRC Chair has been invited to provide an update on the ARRC's work at the next Sterling Group meeting.
6. The leads of the Implementation Workstream provided an update.

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<sup>1</sup> The [progress report](#) and related [press release](#) can be found on the FSB's website.

<sup>2</sup> The "[Minutes of the Federal Open Market Committee June 16-17, 2015](#)" can be found on the Federal Reserve Board's website. The "[Statement Regarding the Calculation Methodology for the Effective Federal Funds Rate and Overnight Bank Funding Rate](#)" and the accompanying "[Technical Note Concerning the Methodology for Calculating the Effective Federal Funds Rate](#)" can be found on FRBNY's website.

<sup>3</sup> Please see the [final Federal Register Notice](#) related to the revisions to the FR 2420 data collection.

- a) In light of the ARRC's decision to more fully develop an Implementation Plan before making further decisions on the selection of potential rates, it was proposed that, as part of the Implementation Plan, a "checklist" be developed that includes a set of steps that ARRC member firms must complete to be prepared to begin to use a risk-free reference rate, as well as a set of steps that must be completed by a broader set of market participants. The checklist is intended to provide a framework for:
    - Assessing the ease with which a potential rate could be implemented;
    - Highlighting risks to the successful adoption of a potential rate; and
    - Helping ARRC members identify a preference for a particular risk-free rate (or rates), and develop views on what preparations are needed to ensure the successful adoption of a potential rate.
  - b) The Chair proposed and ARRC members agreed that the scope of the proposed Implementation Plan should consist of a series of phases and possible uses of an alternative reference rate, including replacing EFR and LIBOR as a reference rate for some derivatives contracts (e.g. OIS).
  - c) ARRC members identified key components that would inform the Implementation Plan and discussed forming Implementation Workstream Subgroups around specific topics, including:
    - Conducting analytical work in support of the Implementation Plan, in particular, identifying and analyzing data assessing the size and participation of different types of market participants in the the derivatives market
    - Coordinating and leading engagement with non-ARRC members potentially impacted by the ARRC's Implementation Plan; and
    - Developing a process for the adoption of a risk-free reference rate for interest rate derivatives currently referencing LIBOR.
7. The Chair proposed inviting select institutions to be non-voting members on the ARRC, and ARCC Members agreed that this kind of outreach would be beneficial.
8. The Chair outlined the following next steps:
- a) Subgroups for the Implementation Workstream will be formed and leadership will be assigned.
  - b) The Implementation Workstream will present their findings at the next ARRC meeting.

**Alternative Reference Rates Committee (ARRC)  
Attendance for the July 17, 2015 Meeting**

ARRC Member Attendees:

Bank of America	Paul Scurfield*
Barclays	Matt Besgen
Barclays	Francois Jourdain
Credit Suisse	Shane O’Cuinn
Deutsche Bank	Thomas Hartnett
Goldman Sachs	Scott Rofey*
HSBC	Pieter van Vredenburch
JP Morgan Chase	Terry Belton*
JP Morgan Chase	Sandie O’Connor
JP Morgan Chase	Alice Wang
Morgan Stanley	Tom Wipf
Nomura	Joseph Lando*
RBS	Graham Broyd
RBS	David Wagner
Societe Generale	Sylvain Cartier*
UBS	Dan Park*
Wells Fargo	Ben Bonner*

Ex Officio Member Attendees:

Federal Reserve Board	David Bowman
Federal Reserve Board	Jerome Powell*
Federal Reserve Bank of New York	James Egelhof
Federal Reserve Bank of New York	Julia Gouny
Federal Reserve Bank of New York	Will Riordan
Federal Reserve Bank of New York	Kevin Stiroh
Federal Reserve Bank of New York	Janine Tramontana
Federal Reserve Bank of New York	Jacqueline Yen
U.S. Treasury Department	Seth Carpenter
U.S. Treasury Department	Laura Lipscomb

\* indicates participation by phone