

Alternative Reference Rates Committee (ARRC)

Minutes for the February 25, 2016 Meeting

- 1) The ARRC approved minutes from the January 28, 2016 meeting.
- 2) Federal Reserve staff provided an update on the work of the Progress Report Subgroup.
 - a) Subgroup participants discussed a potential hybrid approach for switching the reference rate used by interest rate swap central clearing counterparties (CCPs) for calculating price alignment interest (PAI) from the effective federal funds rate (EFFR) to a new reference rate.
 - i) In one part of the potential approach, at a pre-specified future date and given sufficient liquidity, market acceptance and clearing member support, CCPs would begin paying PAI based on the new reference rate on variation margin transferred for all interest rate swaps cleared on and after such future date, while legacy interest rate swaps would continue paying PAI based on the EFFR. ARRC members agreed to continue exploring this approach.
 - ii) As a second part of the potential approach, ARRC members and other market participants would seek to switch new trading in swaps from referencing EFFR to the new rate.
 - iii) Subgroup participants generally thought a “big bang” approach switching PAI on existing cleared trades was not feasible at this time given the challenges of migrating existing contracts to the new reference rate PAI. ARRC members generally agreed with the Subgroup’s suggestion to table this approach at this time. However, ARRC members agreed to revisit this approach if, in the future, there was widespread market interest in converting outstanding cleared swaps to the new reference rate.
 - b) Subgroup participants discussed a number of other issues, including (1) the role of regulators in encouraging trading in swaps that reference the new reference rate, (2) the necessity of allowing trades that pay EFFR as PAI for the purpose of closing out existing positions, (3) the treatment of Credit Support Annexes (CSAs) for un-cleared bilateral swaps, and (4) the potential for eventually “sun-setting” existing trades to close out existing contracts paying EFFR as PAI at some point in the future.
- 3) Members of the Risk free Calculation workstream reviewed analysis completed since the January 2016 ARRC meeting refining an option for a reference rate for overnight repurchase agreements (“repos”) collateralized by Treasury securities. ARRC members discussed the desirability and feasibility of including general collateral repo transactions across a variety of market segments and trading platforms.
- 4) While the ARRC anticipates using its forthcoming progress report to solicit feedback from non-ARRC members, the Chair also discussed additional potential next steps for soliciting feedback from market participants not on the ARRC. Ahead of the next meeting, the Chair requested that ARRC members provide feedback on the following:
 - a) The questions that could be posed to market participants as part of a consultation following the release of a progress report;
 - b) The feasibility of the presented approaches for transitioning new contracts to a reference rate for their institutions; and
 - c) ARRC members’ preference for the transaction types to include in the calculation of a reference rate option for overnight repos collateralized by Treasury securities.

**Alternative Reference Rates Committee (ARRC)
Attendance for the February 25, 2016 Meeting**

ARRC Member Attendees:

Barclays	Brian Rozen
Barclays	Matthew Besgen
BNP	Adrian Averre
Citigroup	Heraclio Rojas
Citigroup	Stephen Compton*
CME	Agha Mirza
CME	Fred Sturm
Credit Suisse	Shane O'Cuinn
Deutsche Bank	Andrew Pickett*
Deutsche Bank	Karen Gamarra*
Goldman Sachs	Scott Rofey*
HSBC	Boris Kapeller
HSBC	Pieter Vanvredenburch
ISDA	Anne Battle
ISDA	Katherine Darras
JP Morgan	Alice Wang
JP Morgan	Sandra O'Connor
JP Morgan	Thomas Hughes
LCH	Phillip Whitehurst*
Morgan Stanley	Maria Douvas-Orme
Nomura	Steve Licini
RBS	David Wagner
UBS	Giuseppe Nuti
Wells Fargo	Ben Bonner*

Ex Officio Member Attendees

Federal Reserve Board	Jerome Powell
Federal Reserve Board	David Bowman
Federal Reserve Board	Chris Clubb
Federal Reserve Board	Joshua Loria
Federal Reserve Bank of New York	Catherine Chen
Federal Reserve Bank of New York	Joshua Frost
Federal Reserve Bank of New York	Raymond Check
Federal Reserve Bank of New York	William Riordan
U.S. Treasury Department	Daleep Singh
U.S. Treasury Department	Jared Roscoe
Office of Financial Research	Matt McCormick
Morgan, Lewis & Bockius LLP	Jon Roellke*

* Indicates participation by phone