

Alternative Reference Rates Committee (ARRC) Minutes for the December 3, 2015 Meeting

1. The ARRC approved minutes from the October 22, 2015 meeting.
2. Fed staff reviewed the ARRC's anti-trust guidelines.¹ ARRC members agreed to continue to rely on their individual internal counsels, and it was decided that the Legal Workstream should also commence the process for choosing outside counsel to provide additional opinions in light of the planned collections of data from ARRC members described below.
3. The group discussed the ARRC's timeline for choosing a rate and an implementation plan. The group agreed to focus in the near-term on "Phase 1" (transitioning use of the EFR in some contracts to the new rate) deliverables before returning to "Phase 2" (transitioning use of LIBOR in some contracts to the new rate). The group agreed that in the first half of 2016, the ARRC would aim to share a proposal with and collect feedback from the public on a Phase 1 implementation plan and the merits of the two alternative risk-free rate options². This feedback would then inform the ARRC's rate(s) recommendation and Phase 1 implementation plan.
4. Working Group 1 (Phase 1 Implementation) provided an update on two options that would facilitate the adoption of Phase 1 changes by the market. In one option, all new and existing contracts would reference the new rate for Price Alignment Interest (PAI) by a given date. In the other option, all new contracts would reference the new rate and existing transactions would be allowed to mature as specified by the individual contracts. The group reviewed the key assumptions underlying successful transitions for both options and potential legal and market acceptance risks to implementation. The CCP members highlighted some of difficulties of changing PAI in existing cleared contracts under existing CCP rules and agreed to explore possible solutions. The group also discussed transitioning the reference rate used for discounting to the new rate. Working Group 1 will be soliciting input from ARRC members to help inform the choice of the preferred Phase 1 option.
5. Working Group 4 (Data Analysis) is planning to solicit feedback from ARRC members to identify the set of market participants most active in the interest rate derivatives markets referencing the EFR, and thus most likely to be impacted by adoption of an alternative risk-free reference rate. ARRC members agreed that the external antitrust counsel retained by the group's private-sector members should be asked to provide advice on if and how the resulting information could be appropriately distributed to ARRC members.

¹ The ARRC's anti-trust guidelines are posted on the ARRC's website:
<https://www.newyorkfed.org/medialibrary/microsites/arrc/files/2015/ARRC-Antitrust-Guidelines.pdf>

² The ARRC has been considering two rate options: an overnight general collateral repo rate and the FR2420 Overnight Bank Funding Rate. Please see minutes from the following meetings for more detail: April 2, 2015; May 26, 2015; June 11, 2015. They can be found on the ARRC's website:
<https://www.newyorkfed.org/arrc/governance.html>

Alternative Reference Rates Committee (ARRC) Attendance for the December 3, 2015 Meeting

ARRC Member Attendees:

Bank of America	Paul Scurfield
Barclays	Matt Besgen
BNP	Adrian Averre
BNP	Virginie Delaunay
Citigroup	Heraclio Rojas
Credit Suisse	Shane O’Cuinn*
Deutsche Bank	Thomas Harnett
Goldman Sachs	Scott Rofey
HSBC	Pieter van Vredenburch
JP Morgan Chase	Terry Belton
JP Morgan Chase	Sandie O’Connor
JP Morgan Chase	Emilio Jimenez
JP Morgan Chase	Thomas Hughes
JP Morgan Chase	Alice Wang
Morgan Stanley	Tom Wipf
Morgan Stanley	Maria Douvas-Orme
Nomura	Steve Licini
Nomura	JJ Lando*
RBS	Graham Broyd
RBS	David Wagner
UBS	Dan Park
UBS	Giuseppe Nuti
Wells Fargo	Ben Bonner*

ARRC Non-Voting Member Attendees:

CME	Agha Mirza
CME	Fred Strumer
DTCC	Dan Thieke*
ISDA	Katherine Darras
LCH	Philip Whitehurst*

Ex Officio Member Attendees:

Federal Reserve Board	Jerome Powell
Federal Reserve Board	David Bowman
Federal Reserve Board	Chris Clubb
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	Seth Carpenter
Office of Financial Research	Matthew McCormick*

* indicates participation by phone