

Alternative Reference Rates Committee (ARRC)

Minutes for the June 11, 2015 Meeting

1. ARRC members approved the minutes from the May 26, 2015 ARRC meeting.
2. Federal Reserve staff provided an update on the FR 2420 data collection. The public comment period on proposed amendments to the FR 2420 data collection closed on June 8, 2015.¹ The Federal Reserve Bank of New York (FRBNY) published a blogpost describing the Eurodollar market in the United States.² Early next year, FRBNY expects to begin publishing a new overnight bank funding rate (OBFR) based on both fed funds and Eurodollar transactions reported as part of the FR 2420 data collection.³
3. The Credit Calculation Workstream presented an analysis of several methods for calculating a rate based on a combination of overnight fed funds and Eurodollar transactions, using a sample of historical brokered fed funds and Eurodollar transactions. The sample was provided by a market source and was not the same as the FR 2420 OBFR data. Based on this sample data, the Workstream concluded that an untrimmed volume weighted average had some desirable properties such as how closely such a rate appears to track the historical Federal Funds Effective Rate (FFER) and its ability to limit the effects of period-end volatility. The Workstream noted that these conclusions could change as more is learned about the actual FR 2420 data once its collection begins.
4. Under its Terms of Reference the ARRC was tasked with identifying a rate or rates that “in the consensus view of the [ARRC] would represent best practice for use in certain new derivatives and other contracts.” In order to facilitate development of a plan for implementing the ARRC’s recommendations, the Chair asked Members to consider in which financial contracts the use of the rate (or rates) identified by the ARRC (referred to hereafter as the “new rate”) would constitute “best practice”.
 - a. ARRC Members discussed a variety of products, contracts, and users that might most naturally use the new rate and potential sequencing of adoption. They also discussed the likely demand for term reference rates in addition to an overnight rate and how term reference rates might be constructed.
 - b. The Chair suggested that the Implementation Workstream create a detailed roadmap framing the different options. As part of the roadmap, the Chair suggested that the Workstream define specific products, end-users, and market professionals that would be affected. The Implementation Workstream leads felt that deciding which products are best suited for using the new rate was an ARRC decision and proposed reaching out to ARRC Members before the next meeting to collect feedback from all Members.
5. ARRC Members reviewed a preliminary comparison of the attributes of the Risk Free Rate and a version of the OBFR rate being proposed by, respectively, the Risk Free Calculation and the Credit Calculation Workstreams and currently being considered by the ARRC.
6. The ARRC reviewed the results of a survey asking Members for their recommendations on which additional market segments and institutions to invite to contribute to the ARRC. Members agreed the ARRC should have at least preliminary recommendations for a new rate and a more detailed

¹ <https://www.federalregister.gov/articles/2015/04/07/2015-07920/proposed-agency-information-collection-activities-comment-request>

² “The Eurodollar Market in the United States,” Liberty Street Economics blogpost published on May 27, 2015

³ http://www.newyorkfed.org/markets/opolicy/operating_policy_150202.html

implementation plan before inviting new members to join. The Chair proposed to instead engage in targeted outreach to non-members at this time.

7. The Chair outlined the following next step:
 - a. At the next ARRC meeting, the Implementation Workstream will present a detailed framework and roadmap for the adoption of best practices related to the use of a new rate, in particular for FFER-referencing and some USD LIBOR-referencing financial contracts.

**Alternative Reference Rates Committee (ARRC)
Attendance for the June 11, 2015 Meeting**

ARRC Member Attendees:

Bank of America	Paul Scurfield
Barclays	Matt Besgen*
Barclays	Brian Rozen*
Citigroup	Steve Compton*
Citigroup	Heraclio Rojas
Credit Suisse	Shane O’Cuinn
Credit Suisse	Guy Kearsley*
Deutsche Bank	Thomas Hartnett*
Goldman Sachs	Scott Rofey
HSBC	Victor Lin
JP Morgan Chase	Sandie O’Connor
JP Morgan Chase	Srini Ramaswamy
JP Morgan Chase	Alice Wang
JP Morgan Chase	Vickie Alvo
Morgan Stanley	Tom Wipf
RBS	David Wagner
Societe General	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	Raymond Check
Federal Reserve Bank of New York	Kevin Stiroh
Federal Reserve Bank of New York	Will Riordan
Federal Reserve Bank of New York	Jacqueline Yen
U.S. Treasury Department	Anna Boutov

* indicates participation by phone