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 Louria
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