1. ARRC members discussed recent remarks made by Financial Conduct Authority (FCA) Chief Executive Andrew Bailey that highlighted the possibility that the use of LIBOR could be prohibited under the EU’s Benchmark Regulation if FCA or the LIBOR administrator determined that LIBOR was not representative even if it continues to be produced. Federal Reserve staff suggested that ARRC members should consider the possibility that the use of LIBOR in certain new contracts could be prohibited for supervised EU entities while allowing for the continued use of LIBOR by those entities in legacy contracts. The ARRC Chair noted that such an outcome could be problematic as it would result in a fragmented market and suggested that the Committee should consider the potential impacts of such an outcome on the liquidity of derivatives and securities that reference LIBOR. The Committee debated whether it would be preferable for LIBOR to stop at such a point or for legacy contracts to move to successor rates rather than continue to reference LIBOR. The Committee recommended that working groups include and publicly consult on draft contract language for cash products that would trigger a successor rate in this event.

2. The ARRC agreed that Wells Fargo would chair the Floating Rate Notes (FRN) working group. The new Chair of the working group provided an update on the fallback language being developed by the group, noting the preference for a “hardwired” approach that sets out very specific waterfalls for designating the successor rate and the spread adjustment in the event of LIBOR cessation. The ARRC agreed that it would develop a public consultation for fallback language for FRNs with the goal of recommending language by the end of the year.

3. The co-Chairs of the Business Loans/CLOs working group noted that the group had been pursuing two approaches to fallback language: a hardwired approach and a more flexible approach that allows for contract parties to negotiate terms in the event of LIBOR cessation. The co-Chairs noted that there was widespread agreement that more hardwired language would need to be in place before a LIBOR cessation, but that some market participants might be reluctant to commit to such language currently and that the flexible approach could have utility in improving fallbacks in the near term while recognizing that it would necessitate further amendments to a more hardwired approach before the end of 2021. The ARRC Chair requested that the group seek consensus between the two approaches where possible. The ARRC agreed that it would develop a public consultation for fallback language for syndicated loans with the goal of recommending language by the end of the year.

4. The co-Chairs of the Securitizations Working Group provided an update on its work to develop fallback language. They detailed the progress the group had made on developing trigger language that would work across asset classes and reflect the basis risk that is unique to securitizations, with the need to manage both assets and liabilities. The co-Chairs noted plans to further accelerate the progress the working group had made.
5. ISDA reminded everyone that while it did not object to including references to the fallbacks ISDA expects to implement or certain aspects of those fallbacks (e.g., the spread), ISDA cannot make any representations regarding whether the fallbacks it implements in its standard documentation for derivatives would be appropriate for non-derivatives. ISDA encouraged market participants to consider and analyze the details of the fallbacks ISDA expects to implement for derivatives and determine independently whether they would be appropriate for non-derivatives.

6. The next ARRC meeting is scheduled to take place on September 20, 2018 from 3:00-5:00 p.m.
Attendance at the July 24, 2018 Meeting

ARRC Members
AXA
Bank of America
BlackRock
Citigroup
CME
Deutsche Bank
Fannie Mae
Fannie Mae
Freddie Mac
GE Capital
Goldman Sachs
Government Finance Officers Association
HSBC
Intercontinental Exchange
International Swaps and Derivatives Association
International Swaps and Derivatives Association
JP Morgan
JP Morgan
JP Morgan
LCH
Met Life
Met Life
Morgan Stanley
Morgan Stanley
National Association of Corporate Treasurers
TD Bank
The Federal Home Loan Banks, through FHLBNY
The Federal Home Loan Banks, through FHLBNY
The Loan Syndications and Trading Association
The Securities Industry and Financial Markets Association
Wells Fargo
World Bank Group

Julien Zusslin
Paul Scurffield
Jack Hattem
Dina Faenson
Fred Sturm
Jill Hurwitz
Nadine Bates
Wells Engledow
Ameez Nanjee
Michael Taets*
Scott Rofey
Pat McCoy
Shirley Hapangama
Chris Edmonds*
Ann Battle
Katherine Darras
Sandie O'Connor
Terry Belton
Perry Elbadrawi
Andrew Gray
Emilio Jimenez
David Horner*
Jason Manske*
Kevin Budd*
Tom Wipf
Maria Douvas-Orme
Tom Deas
Greg Moore
Phil Scott*
Vikram Dongre
Meredith Coffey
Chris Killian
Brian Grabenstein
Don Sinclair*

Ex-Officio ARRC Members
Bureau of Consumer Financial Protection
Commodity Futures Trading Commission
Federal Deposit Insurance Corporation
Federal Housing Finance Agency
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York

Abhishek Agarwal*
Sayee Srinivasan
Irina Leonova*
Dan Coates*
Matt Lieber
Josh Frost
Ray Check
Federal Reserve Bank of New York  William Riordan
Federal Reserve Bank of New York  Caren Cox
Federal Reserve Bank of New York  Justine Hansen
Federal Reserve Bank of New York  Adhiraj Dutt
Federal Reserve Bank of New York  Woojung Park
Federal Reserve Board of Governors  David Bowman
Office of Financial Research  Sriram Rajan
Office of the Comptroller of the Currency  Kevin Walsh*
U.S. Securities and Exchange Commission  David Metzman*
U.S. Securities and Exchange Commission  Michelle Danis*
U.S. Treasury  Brian Smith*
U.S. Treasury  Chloe Cabot

Observers
American Bankers Association  Barry Mills
Bank of Canada  Sheryl King
BNP Paribas  Simon Winn
CRE Finance Council  Lisa Pendergast*
Morgan Lewis  Jon Roellke*
Structured Finance Industry Group  Sairah Burki*

*Indicates participation by telephone