

## **Alternative Reference Rates Committee**

### **Terms of Reference (Revised February 19, 2020)**

The Alternative Reference Rates Committee (the “ARRC”), is a private-sector organization sponsored by the Board of Governors of the Federal Reserve System (“Board”) and the Federal Reserve Bank of New York (“FRBNY” and, together with the Board, the “Federal Reserve”). The ARRC was originally convened by the Federal Reserve in 2014 and was reconstituted in February 2018 subject to these Terms of Reference.

#### **Objectives**

The reconstituted ARRC will help to ensure the successful implementation of the Paced Transition Plan previously adopted by the ARRC and will serve as a forum to coordinate and track planning across cash and derivatives products as market participants currently using U.S. Dollar (USD) LIBOR consider (a) transitioning to alternative reference rates where it is deemed appropriate and (b) addressing risks in legacy contracts language where the possibility that LIBOR might stop had not been fully considered and robust, economically appropriate fallbacks to LIBOR have not been incorporated. The ARRC’s coordinating roles are intended to help minimize any potential disruptions associated with either transitions from LIBOR or any potential end to LIBOR. The ARRC will endeavor to take actions that would facilitate such transitions as the group deems appropriate in order to meet these objectives, and as the end of LIBOR approaches, the ARRC will continue to evaluate actions it may take to that end. The ARRC will consult with other interested market participants in order to achieve a broad-based perspective in making any recommendations, including recommendations for best practices.

#### **Membership and Governance**

The ARRC has been reconstituted solely to meet the above objectives and it is anticipated that it will be disbanded upon their completion. As the sponsor of the ARRC, the Federal Reserve will have the discretion to appoint ARRC Members and Ex Officio Members (as defined below). The membership term is one year and ARRC Members and Ex Officio Members may be renewed for additional terms.

ARRC Members (“Members”) will be private-sector entities with an important presence in markets affected by USD LIBOR or that represent the views of key segments of participants in those markets. Members will be drawn from a diverse range of institutions with deep knowledge and expertise and will be chosen so as to ensure that a range of views across a broad array of

financial transactions linked to LIBOR are represented. The firms and market sectors represented on the ARRC may continue to change from time to time as various market segments continue to develop and implement responses to the challenges of transition; at the same time, the goal of ensuring broad representation will be balanced with the objective of maintaining the ARRC at a manageable size in order to permit the ARRC to meet its objectives in a timely and efficient manner. Accordingly, the ARRC will generally consist of no more than 40 Members. As described further below, the ARRC will also use working groups to ensure appropriately broad representation and expertise with respect to specific market segments or aspects of the transition.

The ARRC will also include *ex officio* participants (“Ex Officio Members”), which shall include the Federal Reserve and other government or official-sector agencies appointed by the Federal Reserve as it deems appropriate.<sup>1</sup> While Ex Officio Members may offer views and analysis in support of the ARRC’s objectives, the Ex Officio Members do not have the voting rights of Members and the ARRC’s recommendations and publications will represent the views of its private-sector Members. The ARRC will not use the names of Ex Officio Members in documents intended for public release without approval, as these agencies do not intend to endorse any third parties, services, or products by serving as Ex Officio Members.

The ARRC will designate the ARRC’s chair (“Chair”) in consultation with the Federal Reserve. The Chair will be selected from the Members for a term of one year, which may be extended. The Chair will be responsible for leading ARRC meetings and coordinating the work of the ARRC and its subgroups. The Chair will also coordinate public communications in consultation with the ARRC secretariat (as defined below). If the ARRC elects to designate co-Chairs, then the co-Chairs will determine individual and shared responsibilities.

The ARRC secretariat will be staffed by the Federal Reserve and will provide broad logistical and analytical support to the ARRC and its working groups. The ARRC secretariat will act as the repository of ARRC documents, including agendas, minutes, and public communications. Further specific duties of the ARRC secretariat are defined below.

The Chair may invite observers (“Observers”) to meetings of the ARRC in consultation with the Federal Reserve. Observers will be bound by this Terms of Reference and the ARRC’s Antitrust Guidelines and must acknowledge both in order to be granted access to any ARRC meeting that is not open to the general public.

The ARRC may engage outside counsel, accountants, or other professionals to accomplish its objectives. Ex Officio Members will not be obligated to bear the costs of such services or any other ARRC costs.

The ARRC will seek to make decisions by consensus; however for matters where consensus cannot be achieved and the Chair determines that it is appropriate to do so, the Chair may put such matters to a vote of the Members with motions requiring a majority vote for adoption.

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<sup>1</sup> As used in these Terms of Reference, references to “Members” of the ARRC do not include Ex Officio Members unless otherwise specifically stated.

The list of Members, Ex Officio Members, and these Terms of Reference will be published on the ARRC website.

### **Member Responsibilities**

The individuals selected by Members to serve as their representatives to the ARRC should be senior leaders with sufficient authority to engage the executive management of their respective organizations, marshal resources to support ARRC activities, and represent the organization's views of proposed actions, guidelines or recommendations. Members will consult with the Federal Reserve in order to ensure that the representatives they select meet these criteria.

Each ARRC Member shall:

- ensure that their representatives generally attend meetings in person if practicable;
- ensure that their representatives bring appropriate issues to the ARRC's attention and contribute to the ARRC's discussion and research;
- ensure that their representatives communicate major issues identified during ARRC discussions to executive management and colleagues at the Member organization;
- ensure that their representatives participate actively in the ARRC, work in support of the ARRC's objectives set forth in this document, and provide resources to support the ARRC's projects and general needs;
- adhere to these Terms of Reference and ARRC's Antitrust Guidelines; and
- ratify these Terms of Reference and reaffirm adherence to the ARRC's Antitrust Guidelines annually.

### **Meetings**

The secretariat will prepare and circulate meeting agendas to Members and Ex Officio Members prior to each meeting. Agendas will be published on the ARRC website.

The secretariat will keep minutes of each meeting to include, at a minimum: (i) a list of the individuals who participated in the meeting and the organizations they represent; (ii) a brief description of the topics discussed; and (iii) a record of decisions reached. The secretariat will circulate draft minutes to Members and Ex Officio Members as soon as practicable following each meeting and Members and Ex Officio Members will be allowed to comment on the draft minutes. After addressing any comments received, the secretariat will publish final minutes on the ARRC website generally no later than 30 days after each meeting.

### **Working Groups**

The ARRC may establish standing and/or *ad hoc* working groups in consultation with the Ex Officio Members for any area or issue in furtherance of its objectives. The working groups' sole intended purpose is to serve the ARRC by providing feedback and recommendations on the issues that have been designated by the ARRC.

The working groups may include representatives from Member organizations, non-Member organizations, Ex Officio Members, and other interested parties with appropriate expertise

(“Working Group Member”). Participation in working groups does not confer membership in the ARRC. For the avoidance of doubt, these Terms of Reference and the ARRC’s Antitrust Guidelines bind not only the ARRC Members and Ex Officio Members, but also the working groups and Working Group Members (whether or not they are also ARRC Members or Ex Officio Members).

The ARRC will have the discretion to select and remove Working Group Members in consultation with the Ex Officio Members. Working Group Members should be selected by the ARRC in order to provide broad coverage of applicable markets and required expertise and viewpoints, while maintaining efficiency in the operation of the ARRC and the working groups.

Each working group will have a chair designated by the ARRC in consultation with the Ex Officio Members. The working group chair will (i) schedule and preside over meetings; (ii) ensure that agendas are circulated to Working Group Members, the ARRC Chair, and secretariat in advance of each meeting; and (iii) report their progress to the ARRC and seek direction from the ARRC.

### **Confidentiality and Disclaimer**

All internal ARRC discussions and materials shall be treated as confidential unless they have been released by the ARRC Chair or secretariat or as required by law. ARRC Members, Working Group Members, and Ex Officio Members are not authorized to speak on behalf of the ARRC without the consent of the Chair.

The ARRC’s recommendations and publications represent the views of its Members. Opinions expressed or statements made by staff of the Ex Officio Members in the course of the ARRC’s activities are solely those of the participant and do not necessarily reflect the views of their agency. Participation by staff of Ex Officio Members is subject to all applicable codes of conduct and external communications policies in place at their agencies. Staff of Ex Officio Members are prohibited from disclosing confidential supervisory information or other nonpublic information to Members of the ARRC.

For purposes of clarity, opinions expressed or statements made by Federal Reserve staff in the course of any duties performed as the ARRC secretariat or in the Federal Reserve’s role as sponsor of the ARRC are solely those of the participant and do not necessarily reflect the views of FRBNY or the Federal Reserve System. Participation by Federal Reserve staff is subject to all applicable Board and Federal Reserve System codes of conduct and external communications policies. Federal Reserve staff are prohibited from disclosing confidential supervisory information or other nonpublic information to Members of the ARRC. Federal Reserve attorneys act as counsel to the Board or FRBNY (as the case may be), not to the ARRC, the working groups, or any other external participants.