

Alternative Reference Rates Committee (ARRC)

Minutes for the January 15, 2019 Meeting

1. ARRC members representing CME, ICE, and LCH provided the Committee with updates on the development of SOFR futures and swap markets. Volumes in futures trading have grown rapidly in the short period since SOFR began production, and it was noted that further development of the SOFR swap market would be facilitated by increased hedging activity that would result from a higher volume of SOFR-linked cash instruments. The ARRC Chair suggested that the Outreach working group should work with CME, ICE, and LCH in order to publically disseminate metrics around current activity in the SOFR derivatives market.
2. The ARRC Chair led a discussion around the major initiatives and goals the Committee aimed to pursue this year. It was noted that two Federal Reserve economists intend to publish a staff working paper on indicative forward-looking term rates derived from SOFR derivatives in the first quarter and that the ARRC website would provide a link to this paper. It was also noted that derivatives were expected to use and fallback to a compound average of the overnight risk-free rate. Members agreed that many market participants could use compounded or simple averages of SOFR and that it would be counterproductive if they delayed their transition of cash products away from LIBOR in waiting for a robust, IOSCO compliant forward-looking term rate that could be recommended by the ARRC. It was noted that the ARRC would only recommend a forward-looking term rate if one was judged to meet necessary criteria for robustness and IOSCO compliance, and that the ability to create this type of rate depends on the development of highly liquid SOFR derivatives markets, which would be most quickly achieved if those market participants that were able to issue SOFR-linked cash products did so. ARRC members then discussed ways to encourage a higher volume of SOFR-linked issuance and ways to further develop the SOFR-linked derivatives markets.
3. The Chairs of the Business Loans and Floating Rate Notes working groups provided the ARRC with an overview of work being done to incorporate public feedback received on the consultations for fallback contract language for syndicated loans and floating rate notes. The Chairs of the Business Loans and Securitizations working groups highlighted industry efforts to raise awareness about the ongoing public consultations for fallback language for new contracts of bilateral business loans and securitizations that reference LIBOR. Federal Reserve staff noted that the Committee aims to approve final recommended fallback language for voluntary adoption across all four of these cash products in the coming months.
4. The ARRC agreed to several changes to the organization of its working groups, including formally moving work related to collateralized loan obligations to the Securitizations working group and merging the Paced Transition and Market Structures working groups. After a discussion on the need to raise awareness about the operational steps required to prepare for a LIBOR transition and the need for the ARRC to play a coordinating role in this area, the ARRC agreed to consider the creation of a new working group focused on technology and infrastructure issues.
5. Federal Reserve staff noted that the Consumer Products working group would hold a kick-off meeting in late-January and would work toward developing public consultations for fallback contract language for mortgages and other consumer loans. ARRC members discussed the potential scope and guiding principles of the group's work.

6. Federal Reserve staff noted that a majority of ARRC members expressed support for the Committee to further explore options for potential legislative relief for legacy securitizations and floating rate notes. The Co-Chairs of the Legal working group discussed procedures undertaken to solicit bids from law firms to work on potential legislative relief efforts.

Attendance at the January 15, 2019 Meeting

ARRC Members

AXA	Julien Zusslin
Bank of America	Alex van Voorhees
Bank of America	Paul Scurfield
BlackRock	Jack Hattem
Citigroup	Jeannine Hyman
Citigroup	Dina Faenson
CME	Agha Mirza
CME	Fred Sturm
Deutsche Bank	Vishal Mahadkar
Fannie Mae	Nadine Bates
Fannie Mae	Wells Engledow*
Freddie Mac	Ameez Nanjee
GE Capital	Michael Taets*
Goldman Sachs	Jason Granet
Goldman Sachs	Scott Rofey
Government Finance Officers Association	Pat McCoy
Government Finance Officers Association	Emily Brock
HSBC	Shirley Hapangama
Intercontinental Exchange	Harvey Flax
International Swaps and Derivatives Association	Ann Battle
JP Morgan	Sandie O'Connor
JP Morgan	Terry Belton*
JP Morgan	Alice Wang
JP Morgan	David Beck*
JP Morgan	Perry Elbadrawi*
JP Morgan	Vickie Alvo*
JP Morgan	Keith Stephan
JP Morgan	Emilio Jimenez*
LCH	Phil Whitehurst
MetLife	Jason Manske
MetLife	Kevin Budd*
MetLife	Alex Strickler*
Morgan Stanley	Maria Douvas-Orme
National Association of Corporate Treasurers	Tom Deas
Pacific Investment Management Company	Scott Goodman*
Pacific Investment Management Company	Courtney Garcia*
TD Bank	Priya Misra
The Federal Home Loan Banks, through FHLBNY	Phil Scott
The Independent Community Bankers of America	Chris Cole*
The Independent Community Bankers of America	James Kendrick*
The Loan Syndications and Trading Association	Meredith Coffey
The Loan Syndications and Trading Association	Ellen Hefferan*
The Loan Syndications and Trading Association	Tess Virmani*

The Securities Industry and Financial Markets Association
Wells Fargo
Wells Fargo
World Bank Group

Chris Killian
Alexis Pederson
Brian Grabenstein
Don Sinclair*

Ex-Officio ARRC Members

Commodity Futures Trading Commission
Bureau of Consumer Financial Protection (BCFP)
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
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Bank of New York
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Federal Reserve Board of Governors
Office of Financial Research
Office of the Comptroller of the Currency
U.S. Securities and Exchange Commission

Sayee Srinivasan*
Abhishek Agarwal
Irina Leonova
Dan Coates
Matt Lieber
Ray Check*
William Riordan
Caren Cox
Justine Hansen
Adhiraj Dutt
Evan Winerman
David Bowman
Chiara Scotti
Laura Macedo*
Erik Heitfield
Sriram Rajan*
Kevin Walsh*
David Metzman*

Observers

Bank of Canada
BNP Paribas
BNP Paribas
Cadwalader
Morgan Lewis
Structured Finance Industry Group
Venerable

Sheryl King
David Moore*
Simon Winn
Lary Stromfeld
Jon Roellke*
Sairah Burki*
Charles Schwartz

*Indicates participation by telephone