

June 22, 2017

The ARRC Selects a Broad Repo Rate as its Preferred Alternative Reference Rate

At its meeting today, the Alternative Reference Rates Committee (ARRC) identified a broad Treasuries repo financing rate, which the Federal Reserve Bank of New York has proposed publishing in cooperation with the Office of Financial Research, as the rate that, in its consensus view, represents best practice for use in certain new U.S. dollar derivatives and other financial contracts.¹

As reflected in the many updates on its deliberations and work, the ARRC considered a variety of factors in selecting a broad repo rate, including the depth of the underlying market and its likely robustness over time; the rate's usefulness to market participants; and whether the rate's construction, governance, and accountability would be consistent with the IOSCO *Principles for Financial Benchmarks*. The ARRC believes that, measured against these criteria, a broad repo rate is the most appropriate for wide-spread and long-term adoption as a reference rate. The ARRC considered the input of a wide range of market participants in making its recommendation, holding a public roundtable and consultation to discuss its Interim Report and seeking the views of an Advisory Group of end users, a significant majority of which had expressed a preference for a Treasuries repo rate. The ARRC will refine its proposed transition plans, developing implementation options for its recommended rate in consultation with the members of its Advisory Group as well as through broader outreach efforts. The ARRC plans to publish its final report later this year before implementation is expected to begin.

"The ARRC today took an important step to strengthen the financial system by selecting a robust alternative reference interest rate. I am proud of the committee's work, and look forward to our continued efforts to promote the widespread adoption and use of this rate." said Sandra O'Connor, Chair of the ARRC.

¹ The broad Treasuries financing rate identified by the ARRC is described in the following statement by the Federal Reserve Bank of New York: https://www.newyorkfed.org/markets/opolicy/operating_policy_170524a. Further details are provided in the following Liberty Street Economics blog post: <http://libertystreeteconomics.newyorkfed.org/2017/06/introducing-the-revised-broad-treasuries-financing-rate.html>.

About the Alternative Reference Rates Committee (ARRC):

The ARRC is a group of private-market participants convened by official sector agencies to identify a set of alternative U.S. dollar reference interest rates and to identify an adoption plan with means to facilitate the acceptance and use of these alternative reference rates. More information is available at: <https://www.newyorkfed.org/arrc/index.html>.

Contact for Sandra O'Connor (ARRC Chair)

Andrew S. Gray

JP Morgan Chase & Co

(212) 270 - 5651

andrew.s.gray@jpmchase.com