

US Corporate Law News: Federal Reserve Bank of New York Vice President delivers remarks on administration and production of reference rates

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At a recent Annual Primary Dealer Meeting of the Federal Reserve Bank of New York, Senior Vice President Lorie Logan discussed the Bank's role in establishing new reference rates and the movement away from LIBOR rates as reference rates. She stated that, because of LIBOR's uncertain future, it is essential that market participants fully assess their exposure to U.S. dollar LIBOR considering its weakness as a benchmark and the risk that it may not always be published. Logan suggested that market participants take steps to mitigate such exposure by adopting more robust contract language and using alternative rates. Logan then stated that the Bank will be producing three Treasury "repo" reference rates: the triparty general collateral rate (intended as a measure of rates on overnight, triparty Treasury general collateral repo transactions where the counterparties know each other's identities at trade time), the broad general collateral rate (intended to capture all trades in which the specific securities provided as collateral are not identified until after other trade terms are agreed) and the secured overnight financing rate (the broadest measure of overnight borrowing costs in the repo market using Treasury securities as collateral).


For more information, see <https://www.newyorkfed.org/newsevents/speeches/2018/log180109>.


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