

**45<sup>th</sup> MEETING OF THE EURIBOR STEERING COMMITTEE**  
**–Conference call, 15 December 2.00pm to 5.00pm CET –**

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**Revised Minutes**

The Chairman, Mr G. RAVOET thanked all participants for joining the conference call.

He informed the participants that in order to comply with the administrator's record-keeping requirements and maintain an audit trail, all EMMI communications were currently recorded.

Mr G. RAVOET gave an update to the Members on the latest changes in the Euribor Steering Committee composition. He welcomed Mrs Agathi PAFILI, Senior Adviser at EFAMA. He recalled the Members that the Steering Committee was currently composed of 10 Members, but in order to enhance its composition two more candidates should be confirmed.

A list of participants is hereby attached.

**1. COMPLIANCE WITH REGULATORY AND SUPERVISORY STANDARDS**

Mr G. RAVOET gave an update to the Members on the recent developments undertaken by EMMI in the context of the Euribor Reform. Complaints and whistleblowing policies and procedures have been adopted and implemented including a complaints and whistleblowing portal available on the EMMI website. The General Assembly recently endorsed a consultation policy to consult stakeholders publicly on proposed changes to the financial benchmarks. A record-keeping policy and technical framework to comply with record-keeping requirements has also been recently adopted.

Moreover, during the end of November 2014, EMMI undertook its external audit performed by KPMG. The scope of the external audit covered EMMI's compliance with its statutes, the EBA/ESMA recommendations and IOSCO Principles. He mentioned that an extract on the main findings of the external audit should be publicly available by early 2015.

**2. MARKET CONDITIONS AND SUPERVISORY FRAMEWORK**

Mr G. RAVOET gave an update to the Members on the state of play of the European Regulation for Benchmarks used as Financial Indices. He explained that the key points of the debate are the: scope of the Regulation, in particular how to define a critical benchmark, the principle of proportionality and the third country regime. It is expected that it will be voted in the ECON Committee on March 2015. In any case, the Regulation will not be enforced before the end of 2015.

EMMI shared its concerns about potential legal issues arising from the transition from a critical benchmark such as Euribor to a new transaction-based index given the complexity and variety of contracts based on Euribor under different national legislations. However, even though EMMI called for a European legal framework to ensure consumer protection, preserve the functioning and integrity of financial markets and avoid severe market disruptions in the transition, this legal foundation is not mentioned in the proposed text for a Regulation.

Members also discussed that the proposed EU regulation would only provision that a competent authority can impose mandatory contributions for existing critical benchmarks, not being applicable for new benchmarks. This could be a key factor in deciding the transition path to Euribor+.

### **3. EURIBOR TECHNICAL ADVISORY GROUP**

Mr G. RAVOET recalled the Members that on the last meeting it was agreed to create a Euribor Technical Advisory Group which reports to the Steering Committee. This Advisory Group will conduct analysis, develop and recommend the implementation of practices, and report to the Committee regarding technical aspects of the Euribor benchmark, such as the benchmark definition, benchmark data sufficiency, and underlying market volumes and trends.

It was agreed that the Membership of the Working Group will be open and may include members of the Steering Committee, Panel Bank representatives, and third-party experts.

Members discussed that the frequency of meetings going forward may be adjusted by the EMMI Secretariat, as appropriate, but should not be less than the frequency of Steering Committee meetings and could be held by conference call or in person.

### **4. IDENTIFICATION OF SANCTIONS FOR BREACH OF CODE OF CONDUCT**

Mr G. RAVOET recalled the participants that the Steering Committee is the adjudication body with respect to compliance with the Euribor Code of Conduct and shall have the right to impose sanctions for violations in the Code.

Although the Euribor Code of Conduct currently provides with some sanctions such as temporary suspension and permanent exclusion from the panel in case of breach, following the EBA/ESMA Report<sup>1</sup> published on February 2014, EMMI shall “identify possible sanctions for breach of the Code other than suspension or exclusion, insofar as this is possible in the absence of an established legal framework”.

In this context, as requested in a previous Steering Committee meeting, the Secretariat proposed the introduction of a tiered sanction framework in the revised Code of Conduct which would enable a progressive and proportionate application.

### **5. TRANSITION POLICY**

Following IOSCO Principle 13 on Transition, “the administrator shall be responsible for developing policies and procedures to address a potential benchmark discontinuation, consult relevant stakeholders, ensure that these are aware of potential risks of benchmark termination and encourage stakeholders to take measures to mitigate disruption in the event of cessation of a benchmark.”

In this context, EMMI has developed the Euribor Transition Policy to address the need for possible cessation of the Euribor benchmark or of one or more of its tenors. Moreover, EMMI has undertaken to develop a transition framework.

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<sup>1</sup> Review of the implementation of the EBA/ESMA Recommendations  
[http://www.esma.europa.eu/system/files/2014-207\\_esma-eba\\_review\\_of\\_euribor\\_recommendations\\_0.pdf](http://www.esma.europa.eu/system/files/2014-207_esma-eba_review_of_euribor_recommendations_0.pdf)

Steering Committee Members approved this policy for recommendation to the EMMI General Assembly.

## **6. BACK-TESTING**

Mr G. RAVOET informed the Members that the back-testing follow-up procedures were amended to adapt the roles and responsibilities to the current structure of the EMMI Secretariat. Members approved such modifications.

Members were informed on the back-testing analysis of Euribor contributions for the months of October and November 2014. Members discussed the level of dispersion for the November contributions. While the dispersion among panel banks' contributions remains high, it has slightly decreased since October, following the pattern in the last three months. Members agreed that the Secretariat should keep monitoring submission dispersion on an ongoing basis.

The Secretariat reported an operational anomaly that occurred in October which had no impact on the Euribor fixing. Members took note of this and acknowledged that remedial actions were taken at the time.

## **7. EURIBOR INTRADAY REFIXING**

Given the importance of the Euribor benchmark in the financial system, potential errors could have a significant impact on financial contracts. In this context, the Secretariat presented a proposal of a draft consultation for the Euribor intraday re-fixing. The main points of this draft consultation were to set up a cut off time as well as a materiality threshold.

Some Members suggested that the cut-off be defined as a certain number of hours after the closing of the contribution window rather than a particular hour.

Moreover, they discussed whether setting up a threshold would be necessary as this threshold could vary among tenors and over time. In this context, participants agreed that this consultation would be useful to gather the market's input on whether they considered intraday re-fixing necessary and whether the proposed threshold seemed appropriate.

## **8. LEVEL AND USE OF EURIBOR AND EONIA**

Members discussed the evolution of the Euribor for the 1-month, 3-month and 12-month tenors and the evolution of the Eonia fixing. They acknowledged that a revitalization of the unsecured inter-bank market is not yet foreseen in the current low rate environment.

## **9. COMPOSITION OF EURIBOR AND EONIA**

Mr G. RAVOET informed the participants that as from Commerzbank's withdrawal on 1 October 2014 there had been no further withdrawals from the Euribor panel. Notwithstanding this, Members discussed that, while important progress has been done in the context of the Euribor reform, further progress is needed on the development of the Euribor+ transaction-based index. They expressed that to make advances on the transaction-based index further input from the panel banks is always welcome.

While the Euribor panel is currently composed of 25 banks and has undergone several withdrawals, the Eonia panel is composed of 35 banks and no withdrawals are expected.

## 10. UPDATE ON THE CALCULATION AGENT

Members discussed that the GRSS system has been working reliably except for an operational incident on October 2014. Following an impact analysis ran by EMMI it was concluded that the incident had no impact on the Euribor fixing. Members took note that GRSS had taken immediate remedial actions to ensure that this incident never happens again.

Mr G. RAVOET informed the participants that GRSS had conducted its internal review in November. According to such review, no major issues shall be addressed. In addition, the external review of the calculation agent was conducted at the end of November by Promontory on behalf of EMMI.

Finally, Mr G. RAVOET informed the participants that in December 2014 GRSS successfully launched a second release of the calculation software including mainly refinements aimed at facilitating the monitoring of pre-calculation flags by the GRSS Helpdesk and by panel banks.

## 11. TRANSACTION-BASED INDEX PROJECT (EURIBOR+)

Mr G. RAVOET reported to the Members on the latest Euribor+ Task Force meeting. He underlined his concern about the anticipated lack of an EU legal act supporting the transition from a critical to a new benchmark. Such an absence of explicit public sector support significantly increases the risks of transitioning from the current Euribor to a new benchmark.

In this context, further clarifying the definition of Euribor as discussed in the previous Steering Committee, could not only ensure that the current Euribor can remain fit for purpose for an extended period, but also assist in smoothing any transition to a transactions-based benchmark for unsecured Euro money market rates. Undertaking the implementation of an index based on actual transactions, adapted to current euro money market conditions, through a progressive evolution of Euribor would reduce the aforementioned risks. Members agreed that these developments should be backed by impact assessments where necessary.

The Steering Committee acknowledges that panel banks are implementing the Code of Conduct and IOSCO Principles in a variety of ways, and are using transaction data (when available) as a primary source of information for their contributions.

## 12. EONIA

Ms A. FERNANDEZ gave an update to the Members on the first call with the Eonia Task Force to review the governance and technical features of the Eonia benchmark. It was mentioned that in parallel to the revision of the Eonia Code of Conduct, the Secretariat would be undertaking a gap analysis against the IOSCO Principles to address all key issues with regard to Eonia in order to be in line with the IOSCO Principles.

Mr H. NEUHAUS presented the EONIA Contribution Process Quality Report for October and November 2014.

While during November the Eonia was always produced in accordance with the input received and on a timely manner, in October the fact that a bank was not reachable on time to confirm a rate led to a slight delay in the publication time of the Eonia fixing. He insisted on the importance of banks' reachability to ensure a timely rate confirmation if needed. In this context, he underlined that as the Eonia Code of Conduct is currently being reviewed, EMMI should take this opportunity to enhance the internal rate validation processes within the banks, as the ECB too frequently has to deal with revised contributions or even to deal with non-validated contributions.



Although the number of multiple contributions per bank have drastically decreased with the introduction of the new contribution platform, these have not disappeared completely. As discussed in previous meetings, Members took note that to reduce operational risks the number of banks' contributions should be limited to only one contribution per day and a correction, if needed.

Members of the Eonia Task Force agreed that these aspects would be tackled in the revised Eonia Code of Conduct.

Enclosures: D0478B-2014-List of participants

**45th MEETING OF THE EURIBOR STEERING COMMITTEE  
-Brussels, 15 December 2014, 14h00 – 17:00 am CET – by Conference Call**

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**LIST OF PARTICIPANTS**

**Chairman**

Mr Guido RAVOET

EMMI Secretary General

**Members**

Mr Olivier BRISSAUD

Mr Alberto COVIN

Mr José María VERDUGO

Mr Jac BESUIJEN

Mr Bruno COLMANT

Mr Karel LANNOO

Ms Agathi PAFILI

Mr Philippe JEANNE

**EMMI**

Ms Andrea FERNANDEZ

Mr Corentin CUSTINNE

Mr Mirko GUTH

**Guest Observer**

Mr Anthony MURPHY

Promontory

**Guest**

Mr Holger NEUHAUS

European Central Bank



*Excused*

Mr Andreas BIEWALD