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09.05.2014

41st MEETING OF THE EURIBOR STEERING COMMITTEE
– Via conference call, 1 April 13.00 to 17.00 CET –

Minutes

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

A list of participants is hereby attached.

1. EONIA

Mr H. NEUHAUS presented the EONIA Contribution Process Quality Report for February 2014. As in previous meetings, he participated for this item given the ECB's function of calculating agent for EONIA.

He recalled the Members that in the current EONIA contribution process, banks could send multiple contributions before the fixing time. He explained that allowing banks to send more than one contribution could increase operational risks in determining the correct contribution.

Mr H. NEUHAUS expressed that in light of possible contribution incidents and given the precision of the published EONIA (three decimal digits) it had become more likely that even small incidents could have an effect on the correctness of EONIA. Hence, the re-fixing policy could be reviewed and possibly clarified. At the moment the policy in the interest of real time users foresees no re-fixing and no systematic information to users. He added that this and other operational risks highlighted in the EONIA Process Quality Report should be reviewed and recommendations be established in a revised Eonia Code of Conduct.

Members agreed that the Eonia Code of Conduct should be revised shortly. Mr H. NEUHAUS suggested to implement the revised Code by 1 July 2014, as it would be a good opportunity to adapt it to the new GRSS contribution platform. He added, that the GRSS system that would be used for transmitting panel bank data to the ECB and for the Eonia calculations at the ECB, has put in place technical requirements to reduce future contribution incidents.

2. APPROVAL OF THE COMPLAINTS AND WHISTLEBLOWING POLICIES AND PROCEDURES

Mr G. RAVOET recalled the Members that following the Euribor code of Conduct the Steering Committee shall adopt and review complaints and whistleblowing procedures.

Mr C. COMPORTI briefly underlined that simplicity and a practical implementation on a daily basis are two of the driving criteria to develop the complaints and whistleblowing policies and procedures. He pointed out that key features for these policies and procedures are confidentiality and data protection, as well as a strengthened process capable of handling sensitive issues. In particular, the whistleblowing procedure should ensure the right of defense for the potentially accused person.

Mr J. VERDUGO asked for further clarification on the responsibilities of the Euribor Steering Committee in the complaints procedure. He queried on whether there was an overlap in the functions of the Board and the Steering Committee.

Mr G. RAVOET responded that the primary responsibility should lie with the Euribor Steering Committee and if an agreement was not reached the issue should be escalated to the Board of Directors. He suggested to introduce the right of appeal for the Board Members to intervene in the process.

Members queried on who would undertake the complaints and whistleblowing manager function. Mr C. COMPORTI suggested that these tasks should be allocated to a specific person within the Secretariat and that back-up plans should be established in the absence of the appointed complaints and whistleblowing manager.

Mr A. MURPHY added that the complaints manager would have direct access to the Chair of the Board, if needed, given the sensitivity of certain issues.

Should the Euribor be supervised, Members asked whether the escalation procedure of disclosure to Regulatory Authorities should remain within the Steering Committee's and Board's mandate.

Mr G. RAVOET answered that should there be serious evidence of breach, the supervisor should be informed and it should be up to the supervisor to inform the prosecutor or impose the relevant sanctions.

Mr A. MURPHY pointed out that the Code of Conduct provides disclosure to the Regulatory Authorities.

Members approved the policies and procedures subject to the amendment that they include the right of appeal of the Board Members.

3. EBA/ESMA REVIEW ON THE IMPLEMENTATION OF THE RECOMMENDATIONS

Mr G. RAVOET gave an update on the implementation of the EBA/ESMA recommendations by Euribor-EBF. He recalled the participants that following the EBA/ESMA report, Euribor-EBF had made significant progress in the past year, increasing the transparency of the benchmark-setting process, enhancing the governance and control mechanisms of the benchmark and improving the quality of the resulting index.

Mr G. RAVOET pointed out that most of the recommendations were partially implemented and ongoing. However, he expressed that according to the report from the ESAs, the composition of the Steering Committee should be reviewed.

4. PANEL BANKS' COMPLIANCE WITH EURIBOR CODE OF CONDUCT

Mr G. RAVOET informed the participants on the explanatory conference call held on 26 March 2014 with the Euribor panel banks to answer their questions and provide further guidance with regard to the Code of Obligations for Panel Banks (COPB). He concluded that the feedback had been positive.

Mr G. RAVOET informed the Members that the Secretariat was working on a Q&A document to be sent to the panel banks in order to provide them with written guidance and comfort when undergoing internal and external audits.

It was concluded that some aspects of the Code would be revised in the annual review to take place in January 2015.

5. IOSCO REVIEW

Mr G. RAVOET informed the Members that the Secretariat received the questionnaire from IOSCO on 13 January with a deadline for response on 7 February. In addition, on 7 March, the Secretariat received an in-depth questionnaire from IOSCO including follow-up key questions and clarification questions. The deadline for responding to this questionnaire was 14 March.

Mr G. RAVOET explained that with regards to principle 7 on Data Sufficiency, the Secretariat was carrying out an analysis to define the level of representativeness of the current Euribor *vis-à-vis* the effective money market data.

In addition, he explained that for the purpose of principle 7, the Secretariat launched a consultation inviting all Euribor panel banks to share the processes used when contributing to the Euribor benchmark. The purpose of this survey was to gather data on the benchmark quote submission methodology employed by each panel bank in order to assess the quality and robustness of the benchmark.

With regards to principle 13 on Transition, Mr A. MURPHY suggested to undertake a broad consultation with all stakeholders in order to develop an appropriate transition plan ensuring a smooth transition to a new benchmark, if needed.

Members acknowledged that the Financial Stability Board (FSB) was currently assessing transition issues.

6. BACK-TESTING ON EURIBOR CONTRIBUTIONS

Mr A. MURPHY presented the back-testing analysis for the month of February 2014 performed by Promontory on Euribor contributions. He summarized the data controls, operations testing and quality testing results.

Mr A. MURPHY noted that it had been agreed previously to extend the analysis to other areas of back-testing, including comparison of Euribor to rates in related markets and assessment of underlying liquidity in the Euro money markets, leveraging such data sources as are available. This extension was envisioned to take place progressively over the course of 2014. The analysis made in respect of IOSCO Principle 7, referred in Section 5 above, provided useful guidance in this regard, but of course was based on data collection exercises in respect of the transactions-based Euribor program, rather than with a back-testing objective per se.

Mr A. COVIN questioned extending the scope of the back-testing analysis given the current “Prime Bank” definition. Mr A. MURPHY noted that a like-for-like comparison was indeed problematic, but that, to the extent data were available, yield spread analyses could be potentially undertaken.

7. LEVEL AND USE OF EURIBOR/EONIA

Members discussed the Euribor/Eonia rates in light of the current market conditions.

They acknowledged that the spikes in the Eonia curve reflected the tight liquidity situation at the end of the months, quarters and reserve maintenance periods.

8. COMPOSITION OF EURIBOR AND EONIA PANELS

Members showed their concerns with regards to the withdrawal of banks from the Euribor panel. They took well note of the requirements imposed by the revised Code of Conduct, as well as of the expenses for banks in terms of audits and compliance.

It was agreed that for the time being, the Euribor panel was still robust and representative. However, it was convened that should more banks leave the Euribor panel an urgency plan should have to be adopted.

9. CALCULATION AGENT TRANSITION PLAN

Mr G. RAVOET updated the participants on the latest developments regarding the change of calculation agent. He explained that a number of banks shared their concerns with regards to the proposed deadline as banks have to submit the procedures to their internal audits. In this context, it was agreed that the handover date to the new calculation agent should be postponed to 1 July 2014. In the meantime, it was agreed that Thomson Reuters would remain calculation agent until the handover date.

This longer transition period would enable a smoother transition as banks would have more time to adapt their contribution systems to the GRSS system and undertake further testing.

10. UPDATE ON REAL TRANSACTIONS-BASED INDEX TEST PROJECT

Mr G. RAVOET updated the Members on the latest developments being carried out by Euribor-EBF, the designated Task Force and the ECB on the real-transaction based project.

He expressed that a workshop to consider the 2nd data collection exercise's results and the feasibility of the proposed benchmark is expected to be held on 6 June.

Furthermore, he underlined the importance of the real-transaction based project in order to be IOSCO compliant, in particular with regards to principle 7.

11. EURIBOR INTRADAY RE-FIXING

Mr G. RAVOET informed the Members on the outcome of the joint consultation on Libor re-fixing launched by the Interim Libor Oversight Committee and BBALibor.

In this context, he invited the Members to share their views on the possibility of introducing re-fixing for Euribor. Members agreed that it would be more convenient to discuss this topic on the next physical meeting.

Enclosures: D0135A-2014-List of participants

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31.03.2014

41th MEETING OF THE EURIBOR STEERING COMMITTEE

- By Conference call, 1 April 2014, 1.00pm CET -

*To join the call, please dial in number: + 32 2 404 03 05 and enter access code 79525130#
when prompted to do so.*

LIST OF PARTICIPANTS

Chairman

Mr Guido RAVOET

Euribor-EBF Secretary General

Members

Mr Alberto COVIN

Mr José María VERDUGO

Mr Patrick SIMEON

Mr Andreas BIEWALD

Mr Karel LANNOO

Mr Philippe JEANNE

Mr Bruno COLMANT

Euribor-EBF

Ms Andrea FERNANDEZ

Mr Corentin CUSTINNE

Guest

Mr Holger NEUHAUS

European Central Bank

Observer

Mr Anthony MURPHY

Promontory

Mr Carlo COMPORTI

Promontory

Apologies

Mr Robert PEIRCE

Mr Olivier BRISSAUD