

**53rd MEETING OF THE EURIBOR STEERING COMMITTEE**  
*–Conference call, 2 May 2016, 2:00pm – 5:00pm CET –*

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**Revised Minutes**

The Chairman, Mr G. RAVOET thanked all participants for joining the conference call and apologised Cyril MERKEL and Vincent VAN DESSEL who could not join the call. He also informed members that Bruno COLMANT had communicated his decision to withdraw from the Steering Committee due to time constraints. Mr G. RAVOET thanked him for his good job and his help within the Steering Committee.

A list of participants is hereby attached.

**1. EONIA BENCHMARK OVERSIGHT (March)**

Mr V. TSONCHEV presented the EONIA Contribution Process Quality Report for March 2016. There was no incident and the EONIA rate was always published on time in accordance with the input received. The report for April is in process.

Ms A. FERNANDEZ reminded the Members that during the EONIA Task Force meeting on 28 April 2016 the following points were discussed:

- Establishment of a stand-alone Eonia Code of Conduct aligned with the IOSCO principles and the EU regulation on Benchmarks;
- Review of the governance and organisational arrangements including the contract with the ECB;
- Review and update of the Eonia methodology in particular the contingency and fallback arrangements.

It is foreseen that the Eonia review will be divided into two phases:

- Phase 1: the main objective is to develop a stand-alone Code of Conduct that establishes requirements for all administrators, calculation agent and Panel Banks and that sets up clearly the benchmark specifications in case of data insufficiency. The Code of Conduct was tentatively scheduled to be effective by the end of 2016.
- Phase 2: the objective of this phase is to perform a more in-depth analysis of the unsecured overnight money market activities and to look into the technical design of Eonia to ensure that it reflects the underlying interest. This exercise should be conducted in 2017.

A preliminary draft of a stakeholder consultation was also presented. This consultation focuses mainly on contingency triggers and fallback arrangements in case of disruption or data insufficiency and the use of benchmarks. In parallel, the EMMI Secretariat has performed a draft gap analysis against IOSCO principles and against the forthcoming EU Regulation on Benchmarks to ensure that the Code of Conduct is fully aligned with the regulatory background.

**2. TRANSACTION BASED EURIBOR STATE OF PLAY**

Mr. A. LOPEZ gave an update of the Euribor+ project. He reminded members that following the Euribor Consultative Position Paper published in October 2015, respondents were invited to respond by the end of January 2016. In April 2016, the EMMI Secretariat published a summary of the feedback received. While the majority of the respondents favoured EMMI's proposed determination methodology for a transaction-based Euribor and the suggested transition path, three main aspects were raised: the launch date of transaction-based Euribor, the

proposed duration of the Pre-Live verification Exercise and some methodological issues to be finalized in the context of the pre-Live Verification Exercise.

Following the feedback received from the Consultative Position paper, as well as from the bilateral meetings and the Roadshows made in Europe and US, in order to ensure market readiness EMMI decided to review the proposed timeline for the launch of a transaction-based methodology for Euribor. Therefore, the switch over date is tentatively planned for H1 2017.

In addition, to better assess any aspects derived from the transition to a transaction-based Euribor a Legal Working Group was created. A workshop to present the findings of this Working Group will be convened.

In addition to receiving an update of the overview of the project, Members were invited to approve the following:

- a) Methodological aspects for transaction-based Euribor, in particular the duration for Tier1 and Tier 2.

Members were informed about the recommendations from the Euribor+ Task Force on methodological aspects for a transaction-based methodology for Euribor, in particular with regards to contingency arrangements. The Task Force also met to discuss further methodological aspects for a transaction-based Euribor. In particular, the duration of the Tier 1 and Tier 2 were discussed.

Tier 1 contingency arrangements should last for a maximum of 10 consecutive TARGET days, within which time the Euribor Steering Committee should be convened to determine further contingency measures if a return to normal conditions appears unlikely. All Steering Committee Members agreed that Tier-1 contingency arrangement should last for a maximum period of 10 days.

Under Tier 2 contingency circumstances, Panel Banks will continue to be responsible for providing their eligible transaction data to EMMI. EMMI will be responsible for the determination of Euribor and may request additional – verifiable – data on activity in related markets from the Panel Banks in order to inform the continued determination of Euribor under Tier 2 – e.g. broker pages, secured market levels, OIS quotes, etc. While the methodology for Tier-2 has not been finalized yet, it is unlikely that a purely mechanistic approach will be possible under a Tier 2 contingency, so that no single method may be specified in advance. Given the difficulty in assessing the whole range of circumstances that could potentially trigger the invocation of Tier-2, it is highly unlikely that a one-size-fits-all approach is identified. However, as emphasized above, data inputs will be from verifiable sources, with no reliance on “expert judgement” from Panel Banks, and the broad methodologies will be made publically available.

Banks will have advance notice of such a request. Any Tier 2 arrangement will be limited to 20 TARGET days and will be primarily designed to allow for an orderly termination of the benchmark if no reversion to normal market conditions appears likely.

One Member abstained and all 8 Members present approved the suggested methodology and fallback arrangements, but emphasized the need to

- » Ensure the necessary internal expertise within the Secretariat to be able to derive the Euribor rate fixing in a Tier 2 situation, and
- » Ensure transparency of the determination of Tier-2 by documenting the methodology in the Code of Conduct.

EMMI expects to publish a paper on these arrangements Q4 2016 – Q1 2017.

The EMMI Secretariat shall update Steering Committee Members on any developments on the Tier-2 methodology and keep this process with an outermost transparency.

b) Approval of the contribution method

On its position paper published in October 2015, EMMI envisaged contributing banks to provide transaction aggregates to the Calculation Agent for the calculation of the benchmark. In particular, each contributing bank would group its eligible transactions into the EMMI-defined maturity buckets (or tenors) and determine a volume-weighted average rate (“VWAR”) and underlying total volume for each Euribor tenor. However, when such a proposal was presented to Panel Banks at the Euribor Workshop held on 14 January 2016, a number of participants encouraged EMMI to assess the possibility of collecting transactional “raw data” directly from the contributing banks (in the MMSR XML format) and calculate each individual bank submission through a centralized version of the proposed application rather than within the respective contributing banks.

To this end, given the importance of the contribution model, EMMI sent a survey to all Panel Banks to provide feedback on both contribution models. An overwhelming majority of the Panel Banks supported the contribution of raw data into a centralised EMMI platform (i.e. “raw data contribution model”) as this would alleviate Panel Banks’ burdens on the daily benchmark determination process while remaining responsible for the quality of the contributed raw data.

While the Secretariat acknowledges the challenges associated with the collection of raw data from contributing banks, it believes that this model is the most appropriate way forward in order to gain support from prospective banks and enlarge the current Euribor Panel, which is one of the greatest concerns in the transition to a transaction-based benchmark.

In this context, all Steering Committee Members present recommended the approval of the raw data contribution model, but stressed the increased operational risks that this contribution mechanism bears for the EMMI Secretariat, due to the necessary data management framework that will have to be put in place for timely daily monitoring. To this end, they suggested to enhance the EMMI team to be able to undertake the increased responsibilities. Mr G. RAVOET responded that indeed the Secretariat was in the process of enhancing its resources. Furthermore, GRSS as the Calculation Agent was working actively in collaboration with the banks to ensure a performant infrastructure. The Secretariat suggested to have a presentation from GRSS on the occasion of the next Steering Committee meeting.

### 3. EURIBOR CODE OF CONDUCT

Ms A. FERNANDEZ explained to Members that as part of the Belgian authorization procedure, in order to become a supervised entity, EMMI had reviewed the Code of Conduct and included a few additional provisions<sup>1</sup> at Administrator and Calculation Agent level.

The revisions of the Code of Conduct to be effective as from 1 June 2016, focused on the following aspects:

- Clarification of appointment rules for Steering Committee Members, including the Chairman
- Establishment of an end-term for the Chairman’s mandate

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<sup>1</sup> In the meantime, the EMMI Secretariat published a list of the main changes to the Code of Conduct including the new wording and the rationale for such changes.

<http://www.emmi-benchmarks.eu/assets/files/D0226C->

[2016\\_REVISIONS%20TO%20THE%20EURIBOR%20CODE%20OF%20CONDUCT-%201%20JUNE%202016.pdf](http://www.emmi-benchmarks.eu/assets/files/D0226C-2016_REVISIONS%20TO%20THE%20EURIBOR%20CODE%20OF%20CONDUCT-%201%20JUNE%202016.pdf)

- Alignment of frequency of Steering Committee meetings with regulatory requirements
- Revision of the tasks and rights of Steering Committee Members in alignment with the Oversight Function's requirements in the EU Benchmarks Regulation
- Update of the record keeping requirements in alignment with the regulatory requirements
- Revision of the Calculation Agent's to ensure EMMI's oversight of third parties as per the EU Benchmarks Regulation.
- Inclusion of the Calculation Agent's responsibility to cooperate with the relevant competent authority as established in the EU Benchmarks Regulation

As the EMMI Secretariat was still finalizing these revisions to the Code of Conduct, Steering Committee Members would be requested to approve such amendments to the Code of Conduct *via* written procedure. Upon receipt of the revised Code of Conduct all Members unanimously approved the Code of Conduct for recommendation to the EMMI General Assembly.

#### **4. REGULATORY AND SUPERVISORY ISSUES**

Ms G. MARQUES presented an update on EMMI benchmarks regulatory landscape. She informed members that the European Parliament adopted at the end of April the final text on Benchmarks Regulation. It is expected that the EU Benchmarks Regulation enters into force in June 2016. ESMA will then have 12 months to develop draft technical standards.

Consequently, the EU Benchmarks Regulation should enter into application in December 2017. Nonetheless, a few articles such as the formation of college of supervisors and the imposition of mandatory contributions for critical benchmarks will be directly applicable.

#### **5. BELGIAN AUTHORISATION PROCEDURE**

Ms G. MARQUES explained that as part of the Belgian Authorization Procedure, Members of the Steering Committee will be requested to provide the EMMI Secretariat with a Certificate of Good Conduct and an update of the Declaration of Interests.

#### **6. EURIBOR BENCHMARK OVERSIGHT (March)**

##### a) Operations Overview:

Mr C. CUSTINNE presented the Euribor benchmark dashboard covering the month of March 2016. He confirmed that Euribor rates were always published on time during the period and in accordance with input received. For the period under review, all Panel banks participated in the rate-setting process, each day; there was no occurrence of non-submittal by banks and no reported errors.

##### b) Back-Testing Highlights:

Mr C. CUSTINNE reported the highlights of the back-testing analysis for the month under review. Members discussed the submission process of persistent high and low outliers, particularly at the longer tenors.

##### c) Underlying Market Monitoring:

Mr A. LOPEZ presented the latest Euro Money Market Report which analyses trends in the Euro money markets that may affect current Euribor and Eonia benchmarks. The Quarterly Turnover Data



Survey for Q1 2016 was not reviewed during this meeting as the EMMI Secretariat is still waiting for late respondents.

## **7. COMPOSITION OF EURIBOR AND EONIA PANELS**

Mr G. RAVOET informed the Members that Pohjola announced their intention to withdraw from the Euribor and Eonia Panel. Their last contribution will be on 13 May 2016. As a result, the Euribor panel will be composed of 22 banks and the Eonia panel of 34 banks.

Members agreed that for data sufficiency purposes having the greatest possible number of banks active in the euro money markets participating in the Pre-Live Verification Exercise was key.

Enclosures: D0206B-2016-List of participants

**53<sup>rd</sup> MEETING OF THE EURIBOR STEERING COMMITTEE  
-Brussels, 2 May 2016, 14:00 – 17:00 CET by Conference Call-**

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**LIST OF PARTICIPANTS**

**Chairman**

Mr Guido RAVOET

EMMI Secretary General

**Members**

Mr Jac BESUIJEN

Mr Andreas BIEWALD

Mr Olivier BRISSAUD

Mr Alberto COVIN

Ms Catherine FARRER

Mr Franck HEBEISEN

Mr Karel LANNOO

Ms Agathi PAFILI

Mr José María VERDUGO

Mr Cyril MERKEL

**EMMI**

Mr Corentin CUSTINNE

Ms Andrea FERNANDEZ

Mr Alberto LOPEZ



**Guest**

Mr Vladimir TSONCHEV

European Central Bank

**Apologies**

Mr Vincent VAN DESSEL