

**47<sup>th</sup> MEETING OF THE EURIBOR STEERING COMMITTEE**  
**–Conference call, 29 April 10.00am to 1.00pm CET –**

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**Revised Minutes**

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

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 most recent developments undertaken by EMMI in the context of the Euribor Reform. He informed the Members of the building up of professional resources in EMMI's team.

He gave an overview of all the policies and procedures that were currently being implemented at EMMI level. He informed the members that EMMI was working on the implementation of a risk management framework. He explained to the Members that the external audit to the calculation agent had also been conducted. Moreover, GRSS was close to launch a new software release providing EMMI with enhanced monitoring capabilities.

Finally, he gave an update on the works carried out by the Euribor Technical Advisory Group on the Euribor specification as well as on the collection of underlying market data information as required by IOSCO's Principle 7 on Data Sufficiency.

**2. EC PROPOSED REGULATION ON BENCHMARKS**

Mr G. RAVOET explained that the regulatory process was continuing smoothly. The plenary vote in the European Parliament (EP) was scheduled for 19 May and the trialogue would start in June.

He added that, as soon as the regulatory text is stable, the Secretariat will work on a deep gap analysis and a workplan to address open issues. The final text should be adopted in the European Parliament in September. The Regulation is not expected to be enforced before the end of 2015.

While the proposal included that the supervisor would have the mandate to make contributions mandatory even for banks that were not in the panel and increased the responsibilities of contributors, the proposed text does not include any legal foundation from a critical benchmark such as Euribor to a new transaction-based benchmark. In this context, undertaking an evolutionary path from current Euribor towards a transaction-based Euribor should have to be assessed.

Furthermore, the upcoming Regulation provided that the Belgian Supervisor, the FSMA, will most probably be the national competent authority responsible for supervising the Euribor benchmark. To this end, EMMI had organized a meeting with FSMA to update them on the Euribor reform.

### **3. TRANSACTION BASED EURIBOR STATE OF PLAY**

Mr M. GUTH informed the Members that given the lack of a legal or regulatory framework to support a transition from Euribor towards a transaction-based benchmark, EMMI was currently studying the feasibility of undertaking an evolutionary approach from the current Euribor methodology to a transaction-based Euribor methodology.

To this end, EMMI has been working on further clarifying the Euribor benchmark specification. As a first step of the consultation process EMMI has consulted the panel banks on the enhancements to the Euribor specification. On the basis of the feedback from the panel banks, EMMI intends to launch a broad consultation to gather feedback from all relevant stakeholders on the proposed clarifications.

In addition, EMMI is working with the ECB to finalize the methodology of a transactions-based Euribor (“Euribor+ methodology”), in particular with respect to contingency criteria and fall-back mechanisms. EMMI will seek to align the methodological requirements with the provisions of the ECB Money Market Statistical Regulation (MMSR) to enable ECB-reporting panel banks to leverage infrastructure being developed in line with the MMSR requirements. To this end, EMMI has created an Infrastructure Working Group to closely monitor such developments in a coordinated manner.

### **4. ISSUE MANAGEMENT REPORT**

Mr G. RAVOET updated the Members on the report covering the period from January 2014 to March 2015 on outstanding issues related to the Euribor benchmark and remedial actions. Members discussed the identified risks as well as remedial actions.

He expressed that the identified high risk issue is that EMMI will unlikely be compliant with IOSCO Principle 9 on Transparency of Benchmark Determinations. Following this Principle, administrators shall publish, with each benchmark determination, information relating to the composition and methodology used to derive the benchmark fixing rate. In particular EMMI should publish with each benchmark determination the specific information on market size and liquidity, and the extent to which and the basis upon which expert judgment, if any, was used.

Seeking to comply with IOSCO Principle 9, EMMI had proposed to Panel Banks the launch of a daily collection of additional submission information upon which Euribor submissions are based. However, given the difficulty of quantifying expert judgment, a number of Panel Banks considered that this exercise would be too burdensome for the submitters. They further observed that it could hinder panel banks’ submissions on a timely manner and further increase operational and compliance burdens as well as reputational risks. In this context, Mr G. RAVOET stressed the importance of moving to a transactions-based methodology.

### **5. CALCULATION AGENT EXTERNAL REVIEW**

The external review of GRSS by the administrator, externalized to Promontory, was conducted at the end of November with a cut-off date 31 October 2014. Overall, the report noted that EMMI’s programme to reform Euribor has been strengthened as a result of GRSS’s services as Calculation Agent. Notwithstanding, a series of recommendations for enhancements were issued and are currently being addressed.

### **6. MONTHLY OVERVIEW OF EURIBOR BENCHMARK**

Mr C. CUSTINNE presented the Euribor benchmark dashboard for March 2015, featuring key indicators of the rate-setting process including multiple and late contributions, pre- and post- calculation checks, any reported submission errors and outliers. Particular attention was raised on the evolution of the Euribor curve into negative territory for the tenors up to one Month. Members commented on the historical trend of affected Euribor tenors,

in particular for the 3-month tenor which was continually dropping towards zero, and the difficulty of revitalizing the unsecured interbank market in the current market reality.

Furthermore, C. CUSTINNE reported the highlights of the back-testing analysis for the months of January to March 2015. Members observed that while volatility and dispersion of quote submissions increased in January, it decreased somewhat during February and had remained stable in March.

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

Mr G. RAVOET informed the Members that Danske Bank would withdraw from the Euribor panel as from 14 May. Members shared their concerns on the possibility of having more banks withdrawing from the Euribor panel.

In addition, Members discussed the importance of having a broad panel when evolving into a transaction-based methodology. EMMI intends to launch a panel solicitation period until at least Q4 2015 aiming to have at least the original 45 Euribor banks in the panel.

With regards to the Eonia panel, it is composed of 35 banks and no withdrawals are expected.

## **8. EONIA**

Mr V. TSCONCHEV presented the EONIA Contribution Process Quality Report for February and March 2015.

The Eonia benchmark was published on time during February and March and in accordance with the input received from the panel banks. Moreover, during March the number of multiple contributions decreased. Notwithstanding, it was emphasized that the revised Code of Conduct should require to have a reachable contact person familiar with the rate and contribution process in order to avoid inefficient processes.

Given the sensitivity of transaction information encompassed in EONIA submissions, EMMI had chosen an approach where it had no access to banks' individual contributions.

In light of the increased responsibilities of administrators, Mr H. NEUHAUS invited EMMI and the other Members of the Steering Committee to reflect on whether EMMI as the administrator should have further insight on the characteristics of the data in order to better e.g. to monitor the dispersion among panel banks' contributions.

He mentioned the possibility that the ECB could report additional indicators on volume, volatility and dispersion of EONIA contributions to the Steering Committee while still observing the confidentiality of individual submissions within the boundaries of the current contract between ECB and EMMI. In that context Members discussed that the Eonia submissions are allegedly displaying a bi-modal distribution.

In addition, it was pointed that the review of the Eonia Code of Conduct may also be an opportunity to introduce further clarity in the Eonia definition if needed.

## **9. ANY OTHER BUSINESS**

In light of the recent negative interest rates, EMMI proposed to publish a statement on its website clarifying that EMMI is responsible for delivering the Euribor and Eonia fixings to the market but does not provide with any indications of the application of the benchmarks by end-users.

In this context, Members agreed that a disclaimer along the following lines should be available at the EMMI website:



***“EMMI wishes to express that as the administrator of the Euribor and Eonia benchmarks its responsibility is to deliver the reference rates to the market and ensure that they reflect the market reality. However, EMMI does not give any indication to market participants on the application of the benchmarks themselves.”***

Enclosures: D0171A-2015-List of participants

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-Brussels, 29 April 2015, 10h00 – 13h00 CET by Conference Call-**

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**LIST OF PARTICIPANTS**

**Chairman**

Mr Guido RAVOET

EMMI Secretary General

**Members**

Mr Olivier BRISSAUD

Mr José María VERDUGO

Mr Jac BESUIJEN

Mr Vincent VAN DESSEL

Ms Agathi PAFILI

Mr Philippe JEANNE

Mr Alberto COVIN

Mr Karel LANNOO

**EMMI**

Ms Andrea FERNANDEZ

Mr Corentin CUSTINNE

Mr Mirko GUTH

**Guest Observer**

Mr Anthony MURPHY

Promontory

**Guest**

Mr Holger NEUHAUS

European Central Bank



Mr Vladimir TSONCHEV

European Central Bank

*Apologies*

Mr Andreas BIEWALD

Mr Bruno COLMANT