

**49<sup>th</sup> MEETING OF THE EURIBOR STEERING COMMITTEE**  
**–Conference call, 14 September 10.30am to 1.30pm CET –**

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**Revised Minutes**

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

A list of participants is hereby attached.

**1. EXTENSION OF STEERING COMMITTEE MANDATES**

Mr G. RAVOET reminded the Members that the EMMI General Assembly approved the new Steering Committee composition in August 2015. The current Steering Committee mandate started in July 2015, and consequently ends in July 2017.

The mandates of most Members, with the exception of Mr Philippe Jeanne (former President of Euribor ACI), have been renewed. In light of ACI's<sup>1</sup> market expertise, ACI has been invited to propose a new candidate. The candidacy proposed by ACI will be submitted to the EMMI General Assembly for approval in their meeting to be held on 17 September<sup>2</sup>.

In addition, the EMMI General Assembly approved the appointment of Mrs Catherine Farrer, Director at ISDA.

Mr G. RAVOET welcomed all Members to their new mandate.

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

Mr G. RAVOET provided an update of the Euribor reform and the corresponding workplan. A revised version of the Code of Conduct should be adopted by the EMMI governing bodies by the end of September 2015 (see item 8) while EMMI would continue its efforts to enhance compliance with IOSCO Principles 7 on Data Sufficiency, and Principle 9 on Transparency (see item 3).

He also gave Members an update on the tender process launched by the Secretariat for the appointment of an internal auditor. He added that in June 2015, the EMMI Board of Directors approved the Business Continuity Plan and Disaster Recovery Plan.

Finally, he informed the Steering Committee about the successful release of the latest version of the GRSS calculation platform on the preceding weekend providing EMMI among other things with increased monitoring capabilities.

**3. IOSCO REVIEW ON EURIBOR**

Following the first IOSCO Review on 28 July 2015, EMMI had received a request for a Second Review of IOSCO Principles to be completed by 28 August 2015.

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<sup>1</sup> ACI The Financial Markets Association <https://acifma.com/>

<sup>2</sup> In the meantime, the EMMI General Assembly approved the candidacy of Mr Frank Hebeisen, Managing Director of ACI France AFTB

Mr G. RAVOET stressed the difficulties of achieving full compliance with some of the IOSCO Principles (particularly Principle 9), given that the current Euribor methodology was based on collecting quotes from contributing banks and the use of expert judgement. Notwithstanding, he reminded the Members that in order to seek enhanced compliance on IOSCO Principles 7 and 9, EMMI had launched the Quarterly Money Market Turnover Data Survey (as discussed under item 10), and published a disclaimer on EMMI's website to provide benchmark stakeholders and end users with an understanding of the quote-based nature of the Euribor determination methodology that could entail the application of expert-judgment. In addition to the publication of the disclaimer on its website, EMMI requested all Euribor data vendors to include it on the relevant vendor pages on which daily Euribor determinations are published.

Members discussed EMMI's response to IOSCO's questionnaire, as well as the timelines. The final Second IOSCO Review Report is expected to be published early 2016.

#### **4. REGULATION ON BENCHMARKS**

Mr G. RAVOET debriefed the Members on the latest status of the forthcoming Benchmark Regulation. It is expected that the Regulation on Benchmarks will enter into force by Q1 2016. He explained that certain issues such as the date for entry into force and entry into application of the supervisory processes were still to be clarified.

Members discussed the need to have the forthcoming regulation in place as soon as possible. The current draft text of the upcoming Regulation provides that the Belgian Supervisor, the FSMA, will be the national competent authority responsible for supervising the Euribor benchmark. Members underlined the necessity for EMMI to be a supervised entity to enable the introduction of a transaction-based methodology for Euribor.

Mr G. RAVOET explained to the Members that EMMI had frequent contacts with the FSMA to inform them of the ongoing workstreams.

#### **5. RISK MANAGEMENT FRAMEWORK**

According to current regulatory and supervisory expectations related to the design, calculation, publication and operations of financial benchmarks, benchmark administrators are expected to develop and implement robust control frameworks and strong internal risk management processes.

In this context, Ms G. MARQUES informed the Members of the Risk Management Framework developed by EMMI. She explained that the Secretariat had implemented a "three-line of defence" model to ensure an appropriate segregation of duties within the EMMI team.

At their next physical meeting, the Steering Committee Members will receive a further presentation detailing the roles and responsibilities of the Steering Committee in the context of EMMI's Risk Management Framework, as well as a first risk assessment report on the Euribor benchmark administration.

#### **6. ISSUE MANAGEMENT REPORT**

Ms G. MARQUES presented the quarterly report (April 2015 - September 2015) on outstanding issues related to the Euribor benchmark and remedial actions. The aim of this report is to track and address any issues identified through periodic and continuous review and monitoring processes.

A majority of the issues currently addressed by EMMI come from recommendations of supervisory bodies. The calculation agent review has been added as a new recommendation source. The other main recommendation sources are internal and external audit reviews. Some additional recommendations were made through the Euribor Steering Committee monitoring process.

The issues arising from external audit, internal audit and Steering Committee recommendations have all been completed since the last report (April 2015). A majority of the issues considered to be on track are related to recommendations of supervisory bodies (IOSCO). The only area with a few open issues awaiting remediation are issues identified in the context of the calculation agent review (the most recent recommendation source (March 2015)). Nevertheless, a large majority of the issues arising from the calculation agent review have already been addressed and completed.

## **7. TRANSACTION-BASED EURIBOR STATE OF PLAY**

Mr M. GUTH gave an update to the Members on the status of the transaction-based Euribor project. The EMMI Secretariat would publish a consultation paper on the evolution of Euribor by mid-October. This document should outline EMMI's plans for the reform of the Euribor determination methodology, as well as the plans and timeline for the transition from the current quote-based methodology to a transaction-based methodology.

Moreover, EMMI would publish the Euribor preliminary assessment of the impacts on rate level and volatility in moving to the new determination methodology. While it should be underlined that the data for such analysis were collected in 2012 and 2013 and therefore may not be reflective of the current market conditions, publishing a full description of the transaction-based determination methodology, transition considerations, and results of the preliminary impact analysis, could enable stakeholders to assess the potential migration issues raised by the planned changes. In addition, prior to the planned launch of the transaction-based methodology in July 2016, EMMI will conduct a "pre-live impact verification" exercise.

Members queried on the contingency plans to be applicable in the event of insufficient data. Mr M. GUTH explained that in case of data insufficiency, and in order to guarantee the publication of Euribor under exceptional circumstances, EMMI was finalizing the design of a two-tiered contingency approach that ensures the benchmark's distribution without disruption in the market. He explained contingency would be measured through establishing thresholds for minimum daily total transaction volume and minimum number of contributors and that these thresholds would be numerically defined after the analysis of the pre-live verification data received over the course of Q2 2016.

Steering Committee Members will be expected to approve the consultative position paper through written procedure and recommend it to the EMMI Board of Directors.

Additionally, as part of the stakeholder outreach programme, EMMI will be conducting national Euribor Roundtable Meetings in key countries or financial centers with an important use of the Euribor benchmark.

## **8. FORTHCOMING REVISION OF THE EURIBOR CODE OF CONDUCT**

Ms A. FERNANDEZ presented the revised Code of Conduct to be approved by the Steering Committee Members for recommendation to the EMMI General Assembly. These amendments include a reference as to how material changes to the methodology shall be addressed; the introduction of a tiered sanction framework for breaches of the Code of Conduct; further specifications on voting procedures and the appointment criteria of Steering Committee Members; and the definition of a common framework for Panel Banks' internal and external audits.

While it is not expected that any of the proposed changes will have an impact on Panel Banks' existing Euribor benchmark submission processes, EMMI consulted the panel banks on the preliminary version of the proposed changes. In light of the comments received, Members agreed to include a principle of proportionality in the application of sanctions based on the severity of the breach of the Code of Conduct. In addition, they agreed to include proxies to increase the number of Members present or represented at Steering Committee meetings, in particular for decisions regarding the inclusion or exclusion of banks in the panel. Moreover, it was agreed that the Code of Conduct should also include the possibility for panel banks to defend themselves from any possible

allegations in the event of adjudication of sanctions by the Steering Committee. Finally, Members discussed the delay in the publication of individual panel banks' submissions. Seven out of the ten present Members agreed that at this stage, a *status quo* should be maintained. Two Members stated that individual submissions should be published with one-month delay, whereas one Member considered that these should not be published. Therefore, following the outcome of the voting procedure, it was concluded that Panel Banks' individual submissions should continue to be made available to all subscribers and authorised data vendors shortly after the calculation of Euribor has been processed.

The proposed amendments to the Code of Conduct are scheduled to be implemented by 1 October 2015. Subsequently, Panel Banks will be expected to declare the compliance with the Code of Conduct by 30 November 2015.

Subject to the inclusion of the above-mentioned provisions, Members unanimously approved the revised Euribor Code of Conduct for submission to the EMMI General Assembly.

## **9. EURIBOR INTRADAY RE-FIXING POLICY**

Ms A. FERNANDEZ presented the draft Euribor Intraday re-fixing policy based on the feedback gathered from stakeholders on the Euribor intraday re-fixing consultation. All Members agreed with the proposed materiality threshold. With regards to the cut-off time, nine out of ten Steering Committee Members agreed that 2pm CET was appropriate, whereas one Member abstained. All Members agreed unanimously that the publication of the re-fixed rate should occur no later than one hour after cut-off time (i.e.: 3 PM CET).

Members unanimously approved the Euribor intraday re-fixing consultation for submission to the EMMI General Assembly.

In addition, the EMMI Secretariat will work on intraday re-fixing procedures applicable for the implementation of the Euribor Intraday Re-fixing Policy. These will include criteria to justify the correction of any error from any of the parties involved (ie: contributing banks, calculation agent and publication agent).

## **10. UNDERLYING MARKET DATA MONITORING**

Mr C. CUSTINNE informed the Members that seeking to improve compliance with IOSCO Principle 7, EMMI has requested Panel Banks to participate in Quarterly Turnover Data Surveys. In this context, EMMI proposed to sign Non-Disclosure-Agreements (NDAs) with participating banks to ensure confidentiality of the survey data. The outcome of these exercises will, among other things, assist the Euribor Steering Committee in periodically assessing the underlying market activity (and in defining minimal acceptable levels of activity necessary to demonstrate an active market).

## **11. MONTHLY OVERVIEW OF EURIBOR BENCHMARK (June, July and August)**

Mr C. CUSTINNE presented the Euribor benchmark dashboard covering the months of June to August 2015, featuring key indicators of the benchmark operations including multiple and late contributions, pre- and post-calculation checks, any reported submission errors and outliers.

Among other indicators, it was 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.

Furthermore, Mr C. CUSTINNE reported the highlights of the back-testing analysis for the months under review. Particular attention was raised on the increased dispersion of quote submissions, specifically at the three-month tenor.

## 12. COMPOSITION OF EURIBOR AND EONIA PANELS

Mr G. RAVOET informed the Members that there had been no changes in the composition of the Euribor and Eonia panels, composed of 24 and 34 banks respectively.

Members stressed the importance of having a broad panel when evolving into a transaction-based methodology for Euribor. Mr G. RAVOET recalled the Members that EMMI started its panel solicitation process, aiming to increase the number of current panel banks in anticipation of the transition.

## 13. EONIA

### a) Eonia Contribution Process Quality Report (June and July 2015)

Mr V. TSONCHEV presented the EONIA Contribution Process Quality Report for June and July 2015. The Eonia benchmark was published before 7 PM every day during June and July, and in accordance with the input received from the panel banks. In June, the ECB had to contribute on behalf of panel banks on two occasions due to technical difficulties on their side. Furthermore, on one day the contribution window had to be extended because of late contributions (while still publishing the Eonia benchmark before 7pm). In this context, he insisted on the need to have a reachable contact person within the bank to enable the ECB to contribute on behalf of the bank and confirm a submission, if need be. In July, on one occasion a contribution was submitted late, which warranted the extension of the contribution window. Notwithstanding, there were no major incidents related to the calculation of EONIA.

Finally, EMMI and the ECB agreed to discuss the additional indicators to be reported by the ECB in order to enhance the Steering Committee's monitoring capabilities, while preserving the confidentiality of individual panel banks' submissions.

### b) Eonia internal audit

Mr H. NEUHAUS presented a summary of the results of the ECB's internal Eonia audit. While the internal audit report did not raise any concern about the application of internal rules related to the calculation of the reference rate, the audit did make some recommendations.

As per the report, the precise tasks to be carried out by the ECB should be adequately documented and the ECB's involvement in the Eonia process should be clarified publicly. Moreover, it was noted that a few methodological questions should be addressed in the forthcoming revision of the Eonia Code of Conduct. Finally, the audit recommended that the business continuity plan is described in more detail and the respective roles of ECB, Calculation Agent and EMMI are more clearly defined.

### c) Eonia Review Plan

Mr M. GUTH presented the Eonia Review Plan aimed at addressing (1) governance and organizational arrangements, as well as implementing an Eonia stand-alone Code of Conduct; (2) operational and control arrangements to ensure the integrity and robustness of the benchmark, including enhancements to the existing back-testing programme; (3) reviewing Eonia's technical design to ensure its representativeness; and (4) reviewing and formalizing accountability policies and procedures.

To this end, EMMI will conduct a regulatory gap-analysis and propose remedial actions and a detailed workplan. Mr M. GUTH presented a tentative timeline which provides for a consultation period during Q1 2016 and the implementation of a revised Code of Conduct by Q3 2016.

Enclosures: D0362A-2015-List of participants

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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 Alberto COVIN

Mr Cyril MERKEL

Mr Andreas BIEWALD

Mr Karel LANNOO

Mr Bruno COLMANT

**EMMI**

Ms Andrea FERNANDEZ

Mr Corentin CUSTINNE

Mr Mirko GUTH

Mr Alberto LOPEZ

Ms Gaëlle MARQUES



**Guest**

Mr Vladimir TSONCHEV

European Central Bank (by conference call)

**Excused**

Ms Catherine FARRER

ISDA