

MINUTES OF THE 17th MEETING OF THE EURIBOR STEERING COMMITTEE
- Brussels, 11 December 2002 -

Mr BÖMCKE chaired the meeting.

A list of participants is attached (enclosure 1).

1. ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING

Mr BÖMCKE noted that the Secretariat had received one comment on the minutes of the previous meeting (Secretariat letter n° 002 of 14 January 2002) asking for the following sentence to be added at the end of the first § of item 2 (composition of Steering Committee): *Mr J-J. QUELLEC will end the term of Mr J-P. RAVISE.*

This was agreed and the minutes were therefore adopted so amended.

2. TARGET HOLIDAYS

2.1. 2003 calendar

The Committee confirmed that EURIBOR and EONIA would continue -in 2003- to follow the long-term calendar for TARGET closing days – regardless of any derogation therefrom that may be (have been) approved by the ECB.

2.2. EONIA on 24 and 31 December 2002

The Committee decided to adopt the same solution as the one adopted last year (re. EONIA of 24 December 2001), i.e:

The Secretariat would send a letter to all panel banks reminding them of their obligation to make the necessary arrangements in order to be able to contribute to the EONIA fixings on 24 and 31 December 2002 at the usual reporting time.

Panel banks that could not do so would be required to report their EONIA data at the last possible time and call the ECB Front Office immediately thereafter in order to confirm that the reported data constitutes their definitive data for the day.

In addition, the Secretariat would ask Moneyline Telerate to post a message on the appropriate Moneyline Telerate screens to the same effect.

3. EURIBOR PANEL OF BANKS

PANEL OF BANKS

Mr. BÖMCKE reported that the EURIBOR panel still consisted of 49 banks as there had been no mergers between panel banks in 2002.

The Committee considered the panel list. It was noted that some rectifications were necessary following recent changes of names or structures.

Mr SIEVEKING volunteered to contact Wesdeutsche Landesbank Girozentrale / WestLB AG in order to clarify the role of WestLB AG in the EURIBOR and EONIA fixings following their recent re-organisation – this was welcomed by the Committee.

CREDIT QUALITY OF THE PANEL

The Committee discussed the impact on EURIBOR of the overall credit quality of the panel.

It was noted in that context that:

- EURIBOR was defined as *the rate at which euro interbank term deposits are being offered within the EMU zone by one prime bank to another at 11.00 a.m. Brussels time ("the best price between the best banks")*.
- According to article 1 of the Code of Conduct, panel banks must be active players in the euro money markets in the euro-zone or worldwide and able to handle good volumes in euro-interest rate related instruments, especially in the money market, even in turbulent market conditions. Furthermore *panel banks must be banks of first class credit standing, high ethical standards and enjoying an excellent reputation.*

The Committee felt that the current credit quality of the panel was still very high and thus not a matter of concern. All panel banks had an A1 or A2 (P1 or P2) short-term rating by S&P (Moody's).

Most importantly, **it was reminded that EURIBOR was** merely a rate that panel banks believed one prime bank was quoting to another prime bank. EURIBOR was therefore a **perceived rate**, not an effective rate (*quod non* for EONIA).

Being a perceived rate, **it was important that panel banks be active players** in the euro money markets **so that they could perceive what the best price between the best banks was.**

It was felt that **what mattered most was the quality of the quotes.** The credit quality of the panel bank was just one element – and a relative one.

It was mentioned that the **distribution of prices among panel banks was very stable.**

Finally, it was felt that the **close monitoring of the situation by the Steering Committee as well as the 15% exclusion rule were additional safeguards against EURIBOR being impacted by a lowering of the credit quality of the panel.**

4. THE EURIBOR WEBSITE

The Committee was satisfied with the content and design of the new EURIBOR website (www.euribor.org).

The Committee then answered written questions recently asked by market participants. Of those, the most frequently asked -and the answers thereto- would be posted on the EURIBOR website.

Following questions on the market convention to be used for EURIBOR in specific cases, it was agreed that the Secretariat would ask the views of EURIBOR ACI on the subject matter and report to the Steering Committee thereafter for further discussion. Mr BRIZI volunteered to take preliminary contacts with EURIBOR ACI – this was welcomed.

5. CREATION OF A SWAP FIXING FOR MEDIUM TERM RATES

The Committee discussed the pros and cons of creating a swap fixing for medium term rates.

It was felt that this would duplicate the already existing ISDAFIX rate. As ISDAFIX was well established and working fine, the Committee thought there was no market demand for creating a similar and competing reference rate.

6. EUREPO PROJECT

Mr. BÖMCKE reported -for information purposes only- on the latest developments of the EUREPO project.

7. ANY OTHER BUSINESS

7.1. EUREX

Mr BÖMCKE informed the Committee of EUREX's recent request regarding the timely publication of the EONIA fixing.

In order to do a proper settlement for the planned EONIA one-month contract, EUREX needs to receive the EONIA fixing for sure at the end of each expiry day.

As it may occur [for whatever reason] that the EONIA -although fixed- is not published on fixing date, EUREX would like -in such a case- to be able to contact the ECB in order to know the [already calculated] EONIA fixing for the day.

The Committee noted that the Fed Funds contracts did not give rise to such problems. Nevertheless, the Committee agreed that in the above-mentioned limited circumstances the ECB should be allowed to give EUREX the required information, at EUREX's own risks however.

7.2. Steering Committee

Mr. BÖMCKE reminded the Committee members that their 2-year term of office had come to an end and that EURIBOR ACI, EURIBOR FBE and the two other European Credit Sector Associations had been asked to put forward names of candidates for a new term of office.

Mr. BÖMCKE added that while mandates were renewable, some rotation was desirable.

The Steering Committee members will be kept informed of the decisions made with that respect.

8. DATE AND PLACE OF NEXT MEETING

As EURIBOR and EONIA both reached their cruising speed, Mr BÖMCKE suggested that one of the two meetings that the Steering Committee usually holds every year in Brussels be replaced by a conference call (unless circumstances require otherwise). This was welcomed by the Committee.

It was agreed that the next meeting will be held by conference call on Thursday 19 June 2003, commencing at 10:00 a.m. CET.

It was provisionally agreed to hold the December 2003 meeting, in Brussels, on Tuesday 9 December 2003 at 10:00 a.m. CET, such a date to be confirmed on 19 June 2003.

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