

Meeting Minutes

Meeting Title	
Meeting Title	75 th Steering Committee Meeting
Date and Time	21 st January 2020
Location	EMMI premises, Brussels
Attendees	
Voting Members	A. COVIN (Chair); A. BIEWALD; J.C. CUEVAS; F. HEBEISEN; D. LE MASSON; C. MERKEL; T. MILLION; J.M. VERDUGO; L. VLAMINCK;
Non-voting members	J-L. SCHIRMANN (EMMI Secretary General, ex-officio member);
Observers	O. BRISSAUD (EMMI Board of Directors; observer)
Excused	J. BESUIJEN; T. MIRONCZUK; V.VAN DESSEL;
Secretariat	D. COWEN; C. CUSTINNE; A. DE LISIO; T. DUFRESNE; J. FELDKAMP; A. LUSKIN; C. WESTSTEIJN;
Quorum	9 out of 12 voting members

Agenda Item	
WELCOME	The Chair Mr A. COVIN welcomed the members to the meeting. The Chair also welcomed Mr O. BRISSAUD, member of EMMI's Board of Directors, as observer for this meeting. Mr J-L. SCHIRMANN also introduced to the members two new members of EMMI's management team, Ms A. DE LISIO, Head of the Corporate Governance, Risk and Compliance Unit, and Mr J. FELDKAMP, Head of the Operations Unit.
ITEM 1 CONFLICTS OF INTEREST	Discussion Points : The Chair reminded everyone that Members of the Steering Committee are appointed on a personal basis and should not be subject to instructions from the company/organization they are affiliated to (if any). Members are personally responsible to recuse of relevant decision making in the event a conflict of interest situation might arise.
ITEM 2 MINUTES OF THE PREVIOUS MEETING	Discussion Points : The members reviewed the minutes of the previous meeting of the Steering Committee that took place on 14 th September 2019. Decision and votes : The minutes of the previous meeting were approved unanimously. Action points :

	To publish the approved minutes on the EMMI website.
ITEM 3 EMMI ORGANISATIONAL CHANGES	<p>Discussion Points :</p> <p>Mr J-L. SCHIRMANN gave the members a presentation of some recent changes in EMMI’s organisational structure. He began by reviewing the achievements of EMMI during the course of 2019, mainly the authorisation received by EMMI as administrator of both EURIBOR and EONIA and completing the transition to the hybrid methodology. As part of the work to develop EMMI further, the organisation has also been adapted and a strategy defined.</p> <p>The organisational changes reflect the strategic objectives of supporting the implementation of the strategic priorities, achieving operational excellence, as well as effectiveness and efficiency. Examples of the organisational changes include the merging of the Benchmarks and User Services teams a single Operations unit, and moving over the Panel Banks compliance activities from the second line of defence to the first line.</p> <p>Members enquired whether Panel Banks had been notified of the change in order to update their points of contact. Mr J-L. SCHIRMANN replied that the change will be rolled out gradually and Panel Banks will be kept informed accordingly. Members also asked if the new organisational chart would be made public. Mr J-L. SCHIRMANN confirmed it would be published once some minor fine tuning has been done.</p> <p>Mr A. COVIN wished to commend all the work done at EMMI over the past year to ensure the continuity of its benchmarks.</p>
	<p>Decision and votes:</p> <p>n/a</p>
	<p>Action points :</p> <p>n/a</p>
ITEM 4 RENEWAL OF MANDATES	<p>Discussion Points :</p> <p>Mr J-L. SCHIRMANN provided the members with an update on the status of the mandates of some of the members of the Steering Committee. He confirmed that EMMI’s Board of Directors and General Assembly had approved the renewal of the mandate of Mr T. MIRONCZUK for a second term, after he had expressed his interest to renew his mandate. He also confirmed that EMMI’s governing bodies had approved the prolongation of the mandate of Mr A. COVIN for a second term as the chair of the Steering Committee.</p> <p>Members welcomed the renewals, mentioning that they will bring stability and continuity to the work of the Steering Committee.</p>
	<p>Decision and votes:</p> <p>n/a</p>
	<p>Action points :</p> <p>n/a</p>

<p>ITEM 5</p> <p>REGULATORY AND SUPERVISORY ISSUES</p>	<p>Discussion Points :</p> <p>Ms A. DE LISIO gave an update on recent regulatory and supervisory issues. She confirmed that EMMI had received the authorisation for the administration of EONIA from the FSMA in December. EMMI had subsequently published the EONIA Benchmark Statement on its website.</p> <p>Ms A. DE LISIO further highlighted a number of recent regulatory publications, including the regulation regarding low carbon benchmarks, the review of the European Supervisory Authorities (ESAs), which included the decision of ESMA becoming the competent authority for administrators of critical benchmarks, and a progress report by the Financial Stability Board (FSB) on reforming major interest rate benchmarks.</p> <p>Related to the last publication, members asked for more action from European authorities to highlight the different approach taken in the reforms of LIBOR (and some other IBORs) and EURIBOR, namely that EURIBOR will remain viable beyond the end of 2021 and that there is no imminent plan to replace EURIBOR with an RFR-based benchmark.</p> <p>Ms A. DE LISIO also gave an update on the recent work of the euro RFR Working Group. She mentioned that the December newsletter published by the Working Group focused on communication and education topics as well as information about the launch of the €STR. Subgroup 7 had also sent a communication on the EONIA €STR transition and made available communication material for interested parties. At the latest meeting of the Working Group on 4th December 2019 two upcoming consultations were mentioned, one on EURIBOR fall-back methodologies, another on a legal action plan for embedding the fall-backs in existing contracts. There had also been an update of the BMR review conducted by the European Commission.</p> <p>Regarding other jurisdictions, ISDA has launched a supplemental consultation on the spread and term adjustments that would apply to fall-backs for derivatives referencing euro LIBOR and EURIBOR in the event those benchmarks are permanently discontinued. ICE IBA had also launched a consultation on the input data of the ICE Swap Rate.</p> <p>Finally, members discussed the recently reported legal obstacles for backward-looking fall-back rate methodologies in Italy and Germany, which could invite legal challenges against benchmarks based on these methodologies in those jurisdictions.</p> <p>Decision and votes :</p> <p>n/a</p> <p>Action points :</p> <p>n/a</p>
<p>ITEM 6</p> <p>EURIBOR ERROR REPORTS</p>	<p>Discussion Points :</p> <p>Mr D. COWEN gave the members an update on the error reporting for EURIBOR under the hybrid methodology. He recalled the decisions made at the Steering Committee meeting on 12th September, when the provisional format for the public error reports was approved.</p>

	<p>He also described the Secretariat’s chosen methodology for measuring the impact of the reported errors.</p> <p>To allow for the receipt of all potential reported errors, the Secretariat proposed to postpone the publication time of the error reports by one month, therefore the first report for Q1 2020 would be published mid-May 2020, instead of mid-April as previously planned.</p> <p>Members asked some clarifying questions about the proposed methodology and discussed the likely frequency of cancellations of transactions.</p> <p>Decision and votes :</p> <p>The one month delay in the publication of the error reports was unanimously approved.</p> <p>Action points :</p> <p>n/a</p>
<p>ITEM 7</p> <p>EURIBOR OVERSIGHT</p>	<p>Discussion Points :</p> <p>Mr C. CUSTINNE presented two incident reports on issues related to the benchmark calculation infrastructure.</p> <p>Mr D. COWEN presented the EURIBOR Oversight report for December 2019. He reminded the members that the document is confidential and not for distribution outside the Steering Committee. He also mentioned that as December was the first full month after the end of the phase-in period, the embargo on Panel Bank level indicators was no longer in effect.</p> <p>In December 2019 EURIBOR was always published on time and according to the input data received. The month was characterised by year-end factors, particularly in the shorter tenors, which had resulted in higher volatility and dispersion in the contributions and a higher number of pre-publication control test flags.</p> <p>The members also unanimously approved an adjustment to the format of one of the charts in the public transparency indicators report, the first of which will be published at the beginning of February.</p> <p>Ms A. LUSKIN presented the Euro Money Market Report for Q4 2019. She highlighted the key events in this period with respect to developments in the euro money markets, including the launch of €STR together with the recalibration of the EONIA methodology, the confirmation by EMMI that the phase-in period has concluded, and the ECB Governing Council meeting on 12th December.</p> <p>The EURIBOR curve had continued to steepen as a result of the longer tenors increasing in line with a re-adjustment of monetary policy expectations. The largest move upwards in the longer tenors took place in the second week of October following the release of the account of the ECB monetary policy meeting on 12th September, and the rates had continued to drift higher thereafter. She highlighted that similar trends to EURIBOR were observed both in the euro OIS and Euro LIBOR. A comparison of €STR and EONIA showed that they had remained in a tight range since the introduction of €STR.</p>

	<p>Ms A. LUSKIN concluded by presenting an update to the estimated footprint of EURIBOR. The total notional volume of financial contracts referencing EURIBOR had slightly increased over the period 2016-2018 to stand at an estimated EUR 103.6 trillion as at the end of 2018. The bulk of the volume was in OTC and exchange traded interest rate derivatives.</p> <p>Decision and votes : The change to the format of one of the charts in the transparency indicators reports was unanimously approved.</p> <p>Action points : n/a</p>
<p>ITEM 8 EONIA OVERSIGHT</p>	<p>Discussion Points : Mr D. COWEN presented the EONIA Oversight report for December 2019. He confirmed that in December EONIA was always published on time and according to the input data received. He also confirmed that EMMI had now implemented the functionality in the benchmark calculation system to retrieve the €STR rate automatically from the ECB's dissemination platform, thereby eliminating the need to perform the daily €STR rate input manually.</p> <p>Decision and votes : n/a</p> <p>Action points : n/a</p>
<p>ITEM 9 PANEL BANK EXTERNAL AUDITS</p>	<p>Discussion Points : Mr C. WESTSTEIJN gave a presentation of the external audit reports of Panel Banks for the year 2018. He informed the members that 15 out of the 18 Panel Banks had provided the Secretariat with their external audit report, and one more was imminent before the end of Q1 2020. Two of the remaining banks had not planned an audit for 2018 due to the transition from the previous Code of Conduct to the current COPB, one bank had confirmed to provide the 2018 audit in the first quarter of 2020 The main observations were that there were no major shortcomings identified in any of the audits, however the format of the audit reports could be more standardised. With the introduction of the new COPB, and on the back of this exercise, there will be updates made to the Panel Banks compliance program. The audit cycle will become biennial to align with BMR and EMMI will aim to align the cycles of the banks to the extent possible. Members were surprised at some of the differences in the formats of the audit reports. Mr J. FELDKAMP replied that auditing contributors to a critical benchmark was still a relatively new topic for many auditors and that further guidance would be have to be developed.. Finally, Mr C. WESTSTEIJN informed the members that as part of the transfer of the Panel Banks compliance activities to the Operations Unit, from now on any reporting</p>

	<p>on the basis of the Panel Banks Compliance Programme would be done by the Operations Unit instead of by Compliance.</p>
	<p>Decision and votes : n/a</p>
	<p>Action points : n/a</p>
<p>ITEM 10 RISK REPORTS ON EURIBOR AND EONIA</p>	<p>Discussion Points :</p> <p>Mr T. DUFRESNE presented the risk assessment reports on the administration of EURIBOR and EONIA. For EURIBOR there were some findings with a medium residual risk relating to improvements to EMMI’s consultation policy, assessing and maintaining the representativeness of the EURIBOR panel, and the maintenance of EMMI’s website.</p> <p>For EONIA, the sole medium residual risk finding was related to controls on the dissemination of the benchmark by the main data vendors.</p> <p>Mr T. DUFRESNE also presented the Quarterly Risk Metrics report for Q2 and Q3 2019. He highlighted two minor breaches of risk tolerance limits in the period related to errors in the calculation system on one day and input data of banks.</p>
	<p>Decision and votes : n/a</p>
	<p>Action points : n/a</p>
<p>ITEM 11 ANNUAL REPORT FROM THE CHAIR</p>	<p>Discussion Points :</p> <p>Mr A. COVIN presented the annual report of the chair to EMMI’s Board of Directors on the activities of the Steering Committee in 2019. He mentioned the many challenges faced by EMMI in 2019 relating to the authorisation processes of EURIBOR and EONIA and the implementation of the hybrid methodology. He remarked on the fresh views offered by the new members of the committee, as well as the additional expertise they have brought, and commended the overall level of commitment of members.</p> <p>He also highlighted the future composition of the Steering Committee given the notable number of current mandates that will come to an end in 2020 and mentioned that profiles of future candidates had been drawn up by the chair and the EMMI Secretary General. Finally, he reiterated the need to ensure the continued representativeness of the EURIBOR panel.</p> <p>The members unanimously agreed with the report and had nothing to add.</p>
	<p>Decision and votes : n/a</p>
	<p>Action points : n/a</p>

ITEM 12 COMPOSITION OF EURIBOR PANEL	Discussion Points : Mr J-L.SCHIRMANN updated the members on the status regarding the composition of the EURIBOR panel. He mentioned that there had been no changes to the EURIBOR panel since the last meeting of the Steering Committee.
	Decision and votes : n/a
	Action points : n/a
ITEM 13 ANNUAL DECLARATIONS OF INTERESTS	Discussion Points : n/a
	Decision and votes : n/a
	Action points : Mr A. COVIN invited the members to sign the annual Declaration of Interests form, as required by EMMI's Conflict of Interest policy.
ITEM 14 ANY OTHER BUSINESS	Discussion Points : The next meeting of the Steering Committee is scheduled for 18 th March 2020 at EMMI's premises in Brussels.
	Decision and votes : n/a
	Action points : n/a