

62nd MEETING OF THE EURIBOR-EONIA STEERING COMMITTEE
–Brussels, 30 November 2017, 09:30 – 16:00 CET –

Revised Minutes

As Mr. P. MERCIER was not available to chair this meeting, Mr A. COVIN replaced him and thanked all participants for attending this meeting.

A list of participants is hereby attached.

On 29th November, the Secretariat organised a working dinner for SC members during which the following topics were discussed:

- Updated communication plan;
- Regulatory & supervisory issues;
- ECB statistics on unsecured euro money market
- Call for interest for the private public working group on euro risk free rate

1. CONFLICTS OF INTEREST

No conflicts of Interest were raised at the consideration of the items set at the agenda of this Steering Committee meeting.

2. MINUTES OF THE PREVIOUS STEERING COMMITTEE MEETING

The minutes of the Steering Committee meeting held on 14 September and follow-up call on 6 October 2017 were approved without comment.

3. EONIA BENCHMARK OVERSIGHT

Mr. V. TSONCHEV (ECB) presented the EONIA Contribution Process Quality Report from August to October 2017.

In August, EONIA was always published on time and calculated according to the input received. On 24 August there was a minor technical incident in the GRSS system that did not endanger the timely publication of EONIA. The incident was followed up with EMMI and addressed in due time.

In September, EONIA was always published on time and calculated according to the input received. On 29 September, early in the afternoon, the GRSS system was unavailable for approximately 1 hour. This was the result of a hardware incident on the side of the service provider. The incident was immediately investigated by the GRSS and fixed so that the EONIA process, later the same day, was not affected. The GRSS provided EMMI with an incident report, which was also forwarded to the ECB.

In October, EONIA was published always on time and in accordance with the input received. There was one instance of a bank not being reachable during a day, which was a holiday for the respective country. There were also four instances in which a bank submitted a multiple contribution on the same day.

The Steering Committee asked the ECB about the unexpected bump in EONIA Fixing, if all procedures and policies were followed according to the rules, and all checks were performed by the Calculation Agent. The ECB confirmed all procedures were duly applied and that all checks were performed. The SteerCo was satisfied with this reassurance.

4. BANK CONTRIBUTIONS TO EONIA BENCHMARK

Mr A. LOPEZ explained that following the introduction of a new Governance Framework for EONIA, a specific bank asked for clarification and agreement from EMMI, as benchmark administrator, on their current submission determination procedure.

SC members analyzed and agreed on their procedure. The EMMI Secretariat will send a clarification letter to this specific bank.

5. EONIA REVIEW

Mr A. Lopez presented the latest developments on EONIA since the summer period, namely the declaration of Eonia as a critical benchmark, the second phase of the Eonia Review and the statements published by the ECB on their plans to develop a euro unsecured overnight interest rate.

Steering Committee Members discussed the revised Code of Obligations for the Panel Banks.

6. EURIBOR BENCHMARK OVERSIGHT

a) Benchmark Operations Overview:

As regards the quality of the submission process, Mr D. COWEN reported that for the period August – October 2017, Euribor was always published on time with no instances of non-participation of panel banks. He highlighted an increase in number of late contributions made by a panel bank in September, which was followed up with the bank. There were no calculation incidents during the time period.

b) Back-Testing Highlights:

Mr D. COWEN presented the Euribor benchmark Data Integrity and Back-testing report covering the month of October 2017. He confirmed that the Euribor contribution and calculation processes were rather uneventful, with some routine follow-ups required with Panel Banks in September and October to confirm individual submissions.

c) Underlying Market Monitoring:

Mr D. COWEN presented the main findings of the Euro Money Market Report for Q3 2017. In summary, no significant developments had taken place in the underlying market since the previous report.

7. EURIBOR PROJECT

Ms P. DE DEYNE informed SC members about the work done so far by the Euribor Task Force on the development of the hybrid methodology. She presented the Decision Table which comprises the progress made and the choices made. The main issues dealt with were the Euribor specification, the timing of transactions, the eligible transactions and counterparties, the tenors and the waterfall.

She explained that the work of EMMI with the input of the Task Force was presented to the Panel Banks during the Euribor Workshop on 18 October. This work was well received and the tone of the workshop was quite constructive.

Ms. P. DE DEYNE explained the next steps of this project:

- Panel Banks will be contacted again for further feedback on the proposed methodology.
- The testing of the methodology is now being prepared. In order to make the testing phase easier and not to require any extra developments / costs / burdens from banks, EMMI will provide the banks with a tool (most likely in the form of an Excel spreadsheet) that they can populate with their transactions to perform the calculation of Level 1 and Level 2 of the waterfall.
- Throughout the process, EMMI will be reaching out to the authorities to keep them informed on progress made and any issues arising.

8. COMPOSITION OF THE EURIBOR AND EONIA PANELS

There has been no change to the composition of the Euribor and the Eonia panels.

9. LINKLATERS LEGAL ANALYSIS

Mr Q. OLBRECHTS presented the main conclusions of the legal analysis conducted by Linklaters with respect to the benchmark transition. The analysis was mainly focused on:

- Consultation process
- Transition requirements
- EMMI extra-contractual liability
- Panel Banks extra-contractual liability
- Legal risks linked to transition

Mr Q. OLBRECHTS also informed SC members that an action plan was currently under construction within the Secretariat. He explained the possible incentives which could be put in place in order to discourage Panel Banks to leave the panel, some of them being related to EMMI's benchmarks subscriptions model. After discussion, it is agreed that SC members should not discuss commercial matters and that is the role of the Board of Directors.

10. INTERNAL AUDIT REPORTS

Ms G. MARQUES explained that as per the internal audit plan approved by the Audit Committee, KPMG performed an internal audit on Conflict of Interest.

Based on the audit findings described in the report, KPMG's audit work resulted in a low residual risk score.

11. EURIBOR RISK MONITORING REPORT

Ms G.MARQUES presented the risk monitoring providing an overview of EMMI's risk profile with respect to the Administration of Euribor as it is, i.e. a quote based benchmark. The announcement (May 4th, 2017) that the transition to a fully transaction-based methodology is not feasible and that EMMI will seek to develop a BMR-compliant hybrid methodology has led to the review of existing risk ratings.

She presented the evolution, since the previous report (January 2017), of the residual risk rating of high inherent risks. Thanks to the remedial actions taken by EMMI, the residual risk rating of a majority of the risks identified could be downgraded to low. She explained the remedial actions taken since the last report and the remedial actions planned to address the remaining high and medium risks.

12. RISK MITIGATION ACTION PLAN ON THE EURIBOR PROJECT

Ms. G. MARQUES presented the remedial action plan on the Euribor project in order to mitigate the inherent risks identified that might affect significantly EMMI's progress on this particular project and might affect its own functionality.

Thanks to the mitigation / remedial actions in place, the majority of the residual risks are reduced to medium. Two of them are nevertheless considered as medium-high taking into account that they are influenced by external factors that EMMI cannot fully mitigate/control.

13. ANY OTHER BUSINESS

Regarding the informal working dinners the day before SC meetings, it is suggested to organize them when the agenda of the SC meeting is too heavy and for trainings.

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LIST OF PARTICIPANTS

Chairman

Mr Alberto COVIN (ad-interim)

Members

Mr Jac BESUIJEN

Mr Andreas BIEWALD

Mr Franck HEBEISEN

Ms Dominique LE MASSON

Mr Cyril MERKEL

Mr Tomasz MIRONCZUK

Ms Agathi PAFILI

Mr Vincent VAN DESSEL

Mr José María VERDUGO

Excused

Mr Paul MERCIER

EMMI

Mr Guido RAVOET

Ms Petra DE DEYNE

Ms Andrea FERNANDEZ CARNICERO

Mr Alberto LOPEZ MARTIN

Mr David COWEN

Ms Gaelle MARQUES DOS SANTOS

Mr Quentin OLBRECHTS

Mr Kamel BOUNYAR

Guest

Mr Vladimir TSONCHEV

European Central Bank (via conference call)