

52nd MEETING OF THE EURIBOR STEERING COMMITTEE
–Brussels, 8 March 2016, 11:00 am to 4:00pm CET –

Revised Minutes

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

A list of participants is hereby attached.

1. EONIA BENCHMARK OVERSIGHT (January and February)

Mr V. TSONCHEV presented the EONIA Contribution Process Quality Report for January and February 2016. In January and February, the Eonia benchmark was published on time and in accordance with the input received. He reported that one bank was not able to contribute in January, but such non-contribution had no impact on the Eonia rate of that date. EMMI explained that the bank was in the process of re-verification of approvers and submitters for both benchmarks.

Ms A. FERNANDEZ explained that following the last Eonia Task Force call, the Steering Committee agreed to split the Eonia review into two phases:

- Short-term deliverable (in 2016): This review would include the Code of Conduct, reflections on fallback arrangements and contingency triggers in case the benchmark cannot be calculated or published.
- Long-term deliverable (in 2017): This review will include an in-depth analysis of the overnight market to better understand its structure and an assessment on the feasibility.

A call of the Eonia Task Force is scheduled on 14 March 2016. This call will be the opportunity to discuss proposals for contingency triggers.

2. TRANSACTION BASED EURIBOR STATE OF PLAY

Mr G. RAVOET gave an update on the state of play of the transaction-based Euribor (i.e.: Euribor+ project). He informed members that a Euribor Task Force meeting is scheduled on 11 March in Frankfurt in order to finalise the methodology and analyse the feedback received from the consultation paper. There will also be a Panel Banks Workshop on 22 April in Brussels.

A Legal Working Group was created to address transition issues towards a transaction-based Euribor.

Mr G. RAVOET explained that the Secretariat was still assessing the feedback received as part of the Consultative Position Paper on the Evolution of Euribor, but in the light of the preliminary feedback received, in particular given that many respondents asked for a longer Pre-Live Verification Exercise than originally envisaged, the target date of 4th July could have to be reviewed.

EMMI should also use the Pre-Live Verification Exercise to finalise the proposed methodology for a transaction based Euribor and to test the infrastructure to enable banks to report their eligible transactions. Moreover, EMMI should enhance its solicitation efforts to have the greatest number of banks possible contributing to such exercise.

3. REGULATORY AND SUPERVISORY ISSUES

Ms G. MARQUES reminded the Members that the Belgian Government adopted a Belgian legislation in December 2015 according to which EMMI is expected to become a supervised entity. EMMI is working on the Belgian authorisation procedure.

She also informed Members that ESMA published a discussion paper on Regulatory Technical Standards and that EMMI will answer to this paper.

4. ISSUE MANAGEMENT REPORT AND RISK MONITORING

Ms G. MARQUES presented the quarterly issue management report. She explained that there were 16 new issues covered in the report compared to 23 in the last one. It is highlighted that among the 16 issues 10 of them are classified as “high risk” and 4 as “medium risk”.

She also presented a follow-up report on risk mitigating actions. In 2016, EMMI is focusing on the implementation of the actions identified to reduce high risk issues and to fully assess and introduce initial control measures for emerging risks. Two different action plans for high risks and emerging risks were provided to the members which include remedial actions, its status, a tentative deadline and some comments on the action plan.

5. EXTERNAL REVIEW OF CALCULATION AGENT

Ms G. MARQUES informed Members on the outcome of the annual review of GRSS, the Calculation Agent for both, Euribor and Eonia. For the purpose of the review, a four-level Overall Review Grade scale, ranging from “Satisfactory”, through “Fair” and “Significant Improvement Required”, to “Unsatisfactory” was used. The overall rating of such review was Satisfactory. However, some remedial actions were recommended for further improvement.

During the second-half of 2016, the Audit Committee will be invited to appoint an audit company which will perform the 2016 external review.

6. CONFLICT OF INTEREST POLICY AND PROCEDURE

Members received an update of the Conflict of Interest Policy and Procedure. The revision mainly aimed at

- integrating and simplifying existing policies and procedures on conflict of interest
- clarifying roles and responsibilities of EMMI Governing Bodies;
- aligning the procedures to manage potential and actual conflicts of interest with the escalation and decision-making processes currently in place;
- complying with the requirements of the EU Regulation (which will be immediately applicable with respect to conflict of interest)

In February 2016, the Conflicts of Interest Oversight Committee (CIOC) reviewed the mapping of potential conflict of interest situations that may affect EMMI Governing bodies, Committees and Members from the EMMI Secretariat. It was suggested to structure the mapping according to a three tier control model. As such, the identification of potential conflict of interest situations should take place as follows:

- First tier: The responsibility lies with the individual. Possible measures to mitigate potential conflicts of interest at this level are the disclosure of the interests and recusal from relevant decision

making. The recusal of the individual from any relevant decision making must be reflected accordingly in the minutes of the meeting.

- Second tier: Control or supervision carried out by EMMI Management, and, in particular, by the Corporate Governance, Risk and Control Unit. Management is responsible for conducting investigations and monitoring any potential conflicts of interest. In the event that through its monitoring, oversight or investigatory activities, Management identifies a conflict of interest that has not been disclosed, the matter should be escalated to the EMMI Board of Directors. Management could seek for advice from the CIOC members on the specific measure to be taken.
- Third tier: Following the reporting from the second-tier control on any potential conflict of interest, appropriate measures must be taken. These may include permanent withdrawal and/or prohibition to exercise a specific task or activity.

All Members present at the meeting approved these procedures¹.

To have a better understanding of the implementation of these procedures it was suggested that Members should receive a training on conflicts of interest, compliance and confidentiality issues as per EMMI's Confidentiality Policy.

7. EURIBOR BENCHMARK OVERSIGHT (January and February)

a) Operations Overview:

Mr C. CUSTINNE presented the Euribor benchmark dashboard covering the months of January and February 2016. He 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; there was no occurrence of non-submittal by banks. Finally, he informed the members that one bank had reported an error in its one-month tenor submission. Such error had no significant impact on the calculated benchmark rate.

b) Back-Testing Highlights:

Mr C. CUSTINNE reported the highlights of the back-testing analysis for the months under review. Particular attention was raised on the impact of persistent high and low outliers on submission dispersion, especially at the longer tenors.

c) Underlying Market Monitoring:

Mr C. CUSTINNE presented the latest Euro Money Market Report and the Quarterly Turnover Data Survey for Q4 2015. These intend to, on the one hand, analyse trends in the Euro money markets that may affect current Euribor and Eonia benchmarks and, on the other hand, study the underlying transactional activity underpinning the determination of Euribor. A special section of the report was dedicated on providing the members with a broad understanding of shifts in the transaction activity underlying Eonia.

¹ Given that during the meeting quorum was not reached, the EMMI Secretariat submitted this document to the remaining Members via written procedure. Therefore, the conflicts of interest policy and procedure was approved unanimously.



8. COMPOSITION OF EURIBOR AND EONIA PANELS

Mr G. RAVOET reminded the Members that the Euribor panel was still composed of 23 banks.

As already discussed, Members agreed on the need to have a broad panel when transitioning towards a transaction-based Euribor. Members discussed the importance of having endorsement from public authorities in order to enhance the composition of the Euribor panel.

No changes have taken place in the composition of the Eonia panel, still composed of 35 contributing banks.

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LIST OF PARTICIPANTS

Chairman

Mr Guido RAVOET

EMMI Secretary General

Members

Mr Andreas BIEWALD

Mr Olivier BRISSAUD

Mr Alberto COVIN

Mr Franck HEBEISEN

Mr Karel LANNOO

Mr Cyril MERKEL

Mr José María VERDUGO

EMMI

Mr Corentin CUSTINNE

Ms Andrea FERNANDEZ

Ms Eliana MARINO

Ms Gaelle MARQUEZ

Guest

Mr Vladimir TSONCHEV

European Central Bank (by conference call)

Apologies

Mr Jac BESUIJEN

Mr Bruno COLMANT

Ms Catherine FARRER

Ms Agathi PAFILI

Mr Vincent VAN DESSEL