

54th MEETING OF THE EURIBOR STEERING COMMITTEE
–Brussels, 4 July 2016, 11:00 – 16:00 CET –

Revised Minutes

The Chairman, Mr G. RAVOET thanked all participants for attending this meeting and apologised Cyril Merkel who could not join. He also informed members that as of today Catherine FARRER, from ISDA will attend the Steering Committee meetings as an observer. He also welcomed Mr Craig McIvor CEO of GRSS, the Calculation Agent for Euribor who will make a presentation on the development of the technical infrastructure to support the forthcoming transaction-based methodology for Euribor.

A list of participants is hereby attached.

1. TRANSACTION BASED EURIBOR STATE OF PLAY

Mr. A. LOPEZ gave an update of the Euribor+ project.

a) Pre-Live Verification Program Guidelines

Mr. A. LÓPEZ presented the detailed plan to conduct the Pre-Live Verification Program and highlighted the key aspects of the Program, as outlined in the recently-published Guidelines. He reminded members that the Pre-Live Verification Program will start in September 2016, but banks are only expected to submit a first bulk of transaction data in the beginning of December. The four main objectives of the program are the following:

- To provide EMMI with a more current understanding of the impact of the new determination methodology on Euribor's rate levels and volatility, as input to a decision to proceed with the envisaged seamless transition to the new methodology;
 - To assist in setting certain methodological parameters, for example, contingency thresholds, and to analyse a number of design choices for potential fine-tuning of the methodology;
 - To test the contribution and calculation infrastructure prior to the final launch of the new methodology;
- and
- To provide insight to the authorities and the markets on the decision and the rationale to proceed with the launch.

The Pre-Live Verification Program will be a crucial part of the project as it will enable EMMI to assess the proposed transaction-based methodology in the then current market conditions and to determine the feasibility of undertaking a Seamless Transition by end Q2 2017.

EMMI published the Pre-Live Verification guidelines which outline the above objectives, timeline and number of indicators to be taken into account when deciding to evolve to a transaction-based Euribor under a Seamless Transition path. Along with the Pre-Live Verification Guidelines, EMMI published a revised Roadmap of the project detailing the progress done or to be done for each of the Workstreams.

b) Update on the Euribor+ Project: Infrastructure development

EMMI sent to Panel Banks the Reporting Instructions specifying the eligible data to be transmitted to EMMI in line with the transaction-based Euribor methodology. This document leverages the data reporting instructions from the ECB's Money Markets Statistical Regulation ([MMSR](#)).

c) Update on the Euribor + Project: Legal Workshop

Ms A. FERNANDEZ reminded members that a Legal Workshop was held on 27 May 2016. During this meeting, the Members discussed potential risks derived from the transition and how these could be minimized by having an appropriate stakeholder outreach programme. EMMI's rationale for opting for a Seamless Transition rather than alternative transition paths as recommended in the MPG Report¹, was also addressed.

In addition, the FSMA gave a presentation on the supervision process in the context of the EU Benchmarks Regulation.

Finally, it is expected that EMMI will publish a report covering transition issues being currently assessed in collaboration with its legal attorneys.

d) Presentation by Craig McIvor, Global Rate Set System

Mr Craig McIVOR, CEO of GRSS, made a presentation on the ongoing development of the application to be used for the collection of transaction-based data in the context of a transaction-based Euribor. He talked the Members through a number of components which are being carefully considered for this project: Reliability, Security, Capacity, Functionality, Compliance and Operations.

2. REGULATORY AND SUPERVISORY ISSUES

Mr G. RAVOET gave an update on the regulatory and supervisory issues. He informed members that the EU Regulation was published at the end of June 2016. Most of the articles will be applicable only 18 months after the publication, i.e. end of 2017. However, the articles like on the formation of the College of Supervisors and on the possibility of mandatory contributions will be directly applicable. After the European Commission will have published a list of critical benchmarks, the FSMA will have 30 days to create the College of Supervisors. The College would have the competence to decide to impose the mandatory contributions. The mandatory contribution provision would only be applicable for a maximum of two years.

Moreover, Public Authorities were calling upon Banks offering financial instruments referring to Euribor to continue their participation or join the Euribor panel in the light of its critical role in the European economy.

3. ESMA CONSULTATION

Mr G. RAVOET informed members about the ESMA consultation. On 27 May 2016, ESMA published a consultation paper on technical advice with respect to the Benchmarks Regulation. The consultation asks for feedback on the following topics:

- Definition of Benchmarks;
- Measurement of the use of critical and significant benchmarks;
- Criteria for the identification of critical benchmarks;
- Endorsement of a benchmark/family of benchmarks provided in third countries;

¹ http://www.fsb.org/2014/07/r_140722b/

- Transitional provisions

As administrator of Euribor and Eonia, EMMI focused on the issue of measuring of the use of critical and significant benchmarks. The responses drafted by EMMI were sent to ESMA² in due time and were attached to the documents.

4. ISSUE MANAGEMENT AND RISK MONITORING

Ms G. MARQUES presented the quarterly issue management report. She highlighted that the level of residual risk decreased since the last report thanks to the improvement of controls in place and the revised risk assessment methodology following the recommendations of the Internal Auditors.

5. EONIA BENCHMARK OVERSIGHT (April/May)

Mr V. TSONCHEV presented the EONIA Contribution Process Quality Report for April and May 2016. There were no major incidents and the EONIA rate was always published on time in accordance with the input received on both April and May 2016.

Ms A. FERNANDEZ informed members that a Euribor/Eonia Workshop is scheduled on 12 July 2016 in order to present, among other issues, the content and tentative timelines for the Eonia review.

It is expected that the Eonia review which will be divided into two phases:

- Phase 1: the main objective is to develop a stand-alone Code of Conduct that establishes requirements for all administrators, calculation agent and Panel Banks and that sets up clearly the benchmark specifications in case of data insufficiency (i.e. contingency triggers and fallback arrangements). This first phase should be finalised by the end of 2016.
- Phase 2: the objective of this phase is to conduct an extensive data analysis of the unsecured overnight money market activities and to look into the technical design and core methodology of the Eonia benchmark to insure that it reflects the underlying interest. Phase 2 is expected to take place throughout 2017.

EMMI is finalising the Eonia consultation which will give stakeholders some background on the Eonia review and ask them to provide some feedback on the proposed contingency triggers and fallback arrangements. In addition, in order to gather feedback on the proposed contingency triggers and fallback arrangements applicable in the event of data insufficiency, the stakeholder consultation should include a question on the annual turnover of financial contracts linked to Eonia and other uses of this benchmark.

It is expected that the consultation will be publicly available by the end of July 2016 upon the approval of the EMMI's governing bodies. In parallel, the EMMI Secretariat will finalise the draft of the Eonia Code of Conduct and send it to all Eonia Panel Banks for comments during summer.

6. UPDATE ON GRSS RELEASE v1.03

Mr C. CUSTINNE informed members on the development of a new Release of the existing Calculation Agent Software (v1.03). He presented the main enhancements to the system which will include (i) a change in the Euribor publication process to accommodate the new Intraday Re-fixing Policy; (ii) a new functionality for the Calculation

² <https://www.esma.europa.eu/press-news/consultations/consultation-paper-esma-technical-advice-benchmarks-regulation>

Agent; (iii) improved daily reporting of Submitter and Approver information by Panel Banks; and (iv) an updated monitoring access for EMMI as Administrator.

Upon successful testing by all stakeholders, GRSS will release the changes into Production for a go-live date on 11 July 2016.

7. EURIBOR INTRADAY RE-FIXING PROCEDURES

Mr C. CUSTINNE explained to members the draft procedures for the implementation of the Euribor Intraday Re-fixing policy. The procedure is aimed at establishing roles and responsibilities, processes, communication flows and escalation plans to be applied in the situations where any errors affecting the collection, calculation, and publication of Euribor benchmark rates are identified by a Panel Bank, the Calculation Agent or EMMI.

Mr C. CUSTINNE clarified that EMMI already has several measures in place to correct possible errors prior to the publication of Euribor benchmarks data, but even with these measures errors may occur. These re-fixing procedures will only be applicable for errors identified after the calculation and publication, as part of the post-calculation checks.

Mr C. CUSTINNE informed members that EMMI is working on specific instructions which will detail the channel and format on how panel banks and/or calculation agent should report the identified error to EMMI and a contact within the EMMI Secretariat to whom errors should be reported. These instructions will be circulated among Panel Banks and Calculation Agent.

It was agreed that a final version of the procedure would be presented at the next meeting for approval.

8. BCP FOR EURIBOR DETERMINATION & PUBLICATION

Mr C. CUSTINNE informed members about the “EMMI Business Continuity Plan for the determination and publication of Euribor” (EMMI Euribor BCP) to be applied in case of total unavailability of the Calculation Agent. The EMMI Euribor BCP is intended to be applied only in very exceptional situations where the other contingency measures put in place by EMMI and the Calculation Agent fail or are not applicable.

All the voting members present during the meeting approved the EMMI Euribor BCP.

9. EURIBOR BENCHMARK OVERSIGHT (April/May) (CC)

a) Operations Overview:

Mr C. CUSTINNE presented the Euribor Benchmark Operations dashboard covering the month of April and May 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 and no reported errors.

b) Back-Testing Highlights:

Mr C. CUSTINNE reported the highlights of the back-testing analysis for the month under review. Members commented on the increase in Panel Bank quote submissions in April and May as a possible effect of the new series of TLTRO announced by the European Central Bank in March 2016.

c) Underlying Market Monitoring:

Mr A. LOPEZ presented the latest Euro Money Market Report which analyses trends in the Euro money markets that may affect current Euribor and Eonia benchmarks. The main highlight of the report related to the decisions of the ECB to cut its main Policy rates and to introduce a package of measures oriented to reinforce Quantitative Easing and credit easing. Those measures impacted all Euribor tenors, which continued to move down.

10. COMPOSITION OF EURIBOR AND EONIA PANELS

Mr G. RAVOET informed the Members that BTMU announced their intention to withdraw from the Euribor panel while staying in the Eonia Panel. Their last contribution was on 30 June 2016. As a result, the Euribor panel is now composed of 21 banks and the Eonia panel remains at 34 banks.

Despite this withdrawal, Mr G. RAVOET reminded that the success of the Pre-Live Verification Programme (PLVP) is subject to the participation of a representative sample of banks active in the euro money markets. Therefore, EMMI has divided the solicitation process in two phases:

- 1) EMMI will attempt to have a representative sample of banks to participate in the PLVP.
- 2) EMMI will pursue its solicitation efforts to encourage these banks to join the transaction-based Euribor panel.

Therefore, EMMI is contacting all former Panel Banks and all banks which are already subject to the MMSR Regulation to invite them to participate in the PLVP exercise and urging them to take their responsibilities as providers of financial instruments referring to the benchmark.

Enclosures: D0307B-2016-List of participants

54th MEETING OF THE EURIBOR STEERING COMMITTEE
-Brussels, 4 July 2016, 11:00 – 16:00 CET

LIST OF PARTICIPANTS

Chairman

Mr Guido RAVOET

EMMI Secretary General

Members

Mr Jac BESUIJEN

Mr Olivier BRISSAUD

Mr Alberto COVIN

Ms Catherine FARRER

as observer

Mr Franck HEBEISEN

by conference call

Mr Karel LANNOO

Ms Agathi PAFILI

Mr Vincent VAN DESSEL

Mr José María VERDUGO

EMMI

Mr Corentin CUSTINNE

Ms Andrea FERNANDEZ CARNICERO

Mr Alberto LOPEZ MARTIN

Ms Gaelle MARQUES DOS SANTOS

Guest

Mr Vladimir TSONCHEV

European Central Bank (via conference call)

Mr Craig McIvor

GRSS (via conference call)

Mr Claus BRETERNITZ

Commerzbank

Apologies

Mr Cyril MERKEL