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29th Euribor¹ Steering Committee
- Brussels, 11 December 2009 -

FINAL MINUTES

WELCOME

Mr R. PRIESTER welcomed the participants of this first meeting of the Euribor Steering Committee in its new composition, in particular Mr A. BIEWALD, Commerzbank, and Mr A. VILLAVARDE HERRAÍZ, BBVA Wholesale Banking & Asset Management, as new Members of the Steering Committee. He also welcomed Mr T. CAZAUX, as an observer from Euribor-ACI.

In the absence of Mr G. RAVOET, it was agreed that Mr R. PRIESTER would chair the meeting.

ITEM 1: MINUTES OF THE PREVIOUS MEETING

Steering Committee Members approved the minutes of the previous meeting and agreed to publish them on the Euribor website (www.euribor.org), subject to the insertions of wording comments made regarding item 5.

ITEM 2: MATTERS ARISING FROM THE PREVIOUS MEETING

– Publication of EONIA Averages

Mr R. PRIESTER reported that the testing phase at Thomson Reuters for a monthly and yearly Eonia average was being finalised and that this data would be published by Thomson Reuters and the Euribor website as of January 2010.

He added that the calculation and publication of an EONIA average for reserve/maintenance period, as suggested by Mr A. BIEWALD, was being developed by Thomson Reuters and would be finalised by the end of the year.¹

¹ Thomson Reuters has managed to publish this data since 14 December 2009. It will be published on the Euribor website as of the second week of January.

– **Inclusion of *La Caixa Barcelona* in the Euribor/Eonia panel**

Mr R. PRIESTER reported that La Caixa Barcelona was presently officially part of the panel banks contributing to Euribor and Eonia and had started contributing on 1 December 2009. No contribution problem had been reported to the Secretariat since then.

– **Letter to panel banks on the credibility of Euribor – reaction of Barclays Capital (letter 0405-2009 of 1 October 2009)**

Steering Committee Members discussed the reaction of Barclays Capital to the Secretariat letter to panel banks of 1 October on the discrepancies between LIBOR and Euribor contributions.

Steering Committee Members accepted that the differences in definitions and fixing times of LIBOR and Euribor could influence the contributions but agreed that panel banks should be consistent in their interpretation of the respective definitions over time.

Steering Committee Members also discussed the possibility of aligning Euribor and Libor fixing times but decided this was not warranted given Euribor's reliability and predominance in Euro Fixing.

ITEM 3: COMPLIANCE OF PANEL BANKS WITH THEIR OBLIGATIONS

Mr R. PRIESTER invited Steering Committee Members to share comments on (1) the composition of the panel, (2) the reports on the excluded contributions of panel banks (top 15%, bottom 15%, no contributions), and (3) the individual panel banks' contributions overall.

(1) Steering Committee Members expressed their satisfaction with the composition of the panel (43 banks). They discussed the appropriateness of enlarging the panel in order to include banks from new EU countries and enhance the representation of "small countries". It was noted that many of these territories' banks were subsidiaries of big banks that were already represented in the panel and that new EU countries should adopt the euro as a first stage.

Mr P. BOSIO informed the Members that a number of Italian banks were anticipated to submit applications for a seat on the panel.

The Secretariat was requested to enquire under which name xxx intended to contribute further to the takeover by xxx².

Mr R. PRIESTER added that the Secretariat was in the process of contacting a number of banks to invite them to apply for a seat on the Euribor panel: xxx (FR), xxx (PT) and xxx (CH).

² Article 3 of the Euribor Code of Conduct: *Banks belonging to the same group are invited to provide one consolidated set of data. Intra-group transactions (e.g. branches and subsidiaries) shall not be included in the contribution of such group.* http://www.euribor.org/html/content/euribor_code.html#article3

(2) Mr R. PRIESTER reported on the banks whose contributions had been excluded from the calculation of the Euribor over the last three months in accordance with the Euribor technical features³, on the basis of the charts provided in the preparatory Secretariat note.

Steering Committee Members commented that the fact that the same banks were most of times in the top or bottom 15% was consistent, and would be linked to the national debt levels, the respective country ratings and the fact that there was less liquidity available in some jurisdictions.

(3) Looking at individual panel banks' contributions, Steering Committee Members discussed the Euribor definition in order to check that it was still consistent with the market. Although the present definition was considered as valid by Steering Committee members, some questions raised about its evolution in order to take into account the financial crisis and its consequences on the interbank money market.

As the Eonia/Euribor spread remained persistently high despite better conditions of funding in the Eurozone some members proposed the following explanation: before Basel II implementation, interbank operations had a standard cost of capital of 20%. Under Basel II, the cost of capital became dependant of internal rating. As average internal ratings had diminished with the crisis and as there was less capital available, by consequence the price of interbank money became higher than what it had used to be.

Steering Committee Members also stressed that the calculation of the cost of capital for interbank operations did not take into account the maturity of the trade. In their opinion, the cost of capital should not be the same for one year as for very short term trades like overnight.

Members discussed the appropriateness of combining secured and unsecured lending (Euribor/Eurepo), by switching from unsecured to secured over 3 months.

Mr R. PRIESTER concluded that Steering Committee Members under the circumstances of the present market conditions were overall satisfied with panel banks individual contributions and that a change in maturities would not be foreseen in the immediate future. He added that the Secretariat would seek to enhance the monitoring of individual contributions.

He also reported comments from the ECB on the contributions of some panel banks, which frequently did not send a contribution of "0" volume when they had no turnover. The Secretariat was requested to contact the mentioned banks and remind them to send a contribution reported as "0", even though they may not have had turnover.

Additionally, a bank reported several times the same values for a few days, but this had been confirmed as a bug in the systems. The Secretariat was requested to make sure that the problem is solved and strongly encourage the bank in question to contribute *via* the regular infrastructure rather than by email.

Finally, the ECB reported that, generally speaking, staff with sufficient business knowledge was not readily available whenever the ECB had questions on a contribution. The EONIA Annual Certification Management Form was being sent to the Eonia panel banks along with a contact form in order to ensure that the appropriate people were contactable when required.

³ http://www.euribor.org/html/content/euribor_tech.html.

ITEM 4: LEVEL AND USE OF EURIBOR

Steering Committee Members agreed that the Euribor reflected the actual situation on the market.

Mr A. SEIGNAT reported on a conference where he recently had made a presentation on the Euribor. He reported that the attendees considered that Euribor and Eonia had been showing consistent prices. The only remark was on the maturities above 6 months. Mr T. CAZAUX added that there were different needs according to the different users (derivatives, treasurers, corporate treasurers and asset managers) and that this tool could not correspond to all needs. The important thing was that there is a definition that is consistent.

Steering Committee Members commented that the trend was moving to a more secured cash market and wondered whether it would be appropriate to move away from a purely cash-based definition. Some Steering Committee Members felt that it was difficult to predict that the unsecured market would not survive to the crisis. Additionally, they agreed that equilibrium between the financial community and the customers was to be found in terms of information.

ITEM 5: EURIBOR DEFINITION

At the Chairman invitation, Mr T. CAZAUX informed the Steering Committee of the main conclusions of the **last Euribor ACI Board meeting** (19 November) regarding any possible evolution in the Euribor definition:

- The legal risks that a change of the definition would imply for existing contracts should be closely analysed;
- Should any change be made, close cooperation with the ECB should be ensured, given the high level of expertise required;
- The possible correlation between a change in the definition and the direction of benchmark rates for all possible scenarios/changes should be assessed;
- A consultation amongst the panel banks should be realised on the proposed revised definition;
- Any future change was to be subject to extensive discussions among the Steering Committee Members as well as other groups to incorporate as many different aspects as possible. The Steering Committee should not put itself under any time constraints.

It was suggested to clarify the applicable credit risk level without changing the prime bank wording (as an explanation and not a change to the definition). Mr R. PRIESTER enquired what would be the impact of aligning the definition on the credit-risk levels on retail or institution clients.

Steering Committee Members agreed that the major concern raised by an amended definition was the deletion of the reference to “prime banks”. The cost would be higher if this part of the definition was changed to “banks within the EMU zone”. Likewise, a change to “panel banks” would put too much pressure on the panel.

Steering Committee Members also discussed the appropriateness of launching a consultation amongst panel banks. It was suggested to circulate a survey establishing pros and cons and proposing a new definition. Members enquired whether other groups (financial analysts, legal people) should be involved in this process but generally agreed that the more people were involved in the consultation, the less chance there was to achieve a change in the definition. It was also suggested to have a testing period with an amended definition to see the impact on the quotes.

Mr A. SEIGNAT highlighted that the role of the Steering Committee was to represent the market participants as experts of the money market. As a consequence, outside experts did not seem to be necessary. Mr P. BOSIO considered that the issue was too important to be kept within the scope of the Steering Committee and needed to be discussed at a broader level.

Mr R. PRIESTER reminded that the whole process had to start within and be decided by the Steering Committee and should be submitted to the respective General Assemblies of Euribor EBF and Euribor ACI at a later stage.

Members underlined that the Steering Committee had no doubts about the quality of the benchmark. The market had been changing over the last two years and the Steering Committee closely monitored those changes and had considered any action to be taken.

Mr R. PRIESTER concluded that the Members of Euribor EBF and Euribor ACI would be informed of the outcome of the Euribor Steering Committee meeting and would receive a copy the minutes once approved.

ITEM 6: APPLICATION OF BANKS FOR A SEAT ON THE PANEL

Steering Committee Members were submitted the applications of xxx and xxx on the basis of the criteria set out in article 11 of the Euribor Code of Conduct⁴. Mr R. RPIESTER reported that, with the inclusion of La Caixa Barcelona as from 1 December, the addition of these two banks would raise the number of Spanish banks in the panel to 6, 4 of which would be savings banks. He also informed the Members that xxx had decided to postpone their application to a future meeting.

Steering Committee Members discussed the difficulty of combining the geographical criteria with the size/volumes criteria.

The Secretariat was requested to establish a list of biggest banks in each country (10 for big countries, 5 for the others) on the basis of their total assets.

Mr. Verdugo remarked that both xxx and xxx were two of the largest Spanish savings banks. He added that xxx had a strong interbank presence and that xxx's presence at this point in time was not very active in the interbank market with respect to previous years.

Steering Committee Members decided to postpone the decision on the application of the above-mentioned banks for a seat on the Euribor/Eonia panel until such moments where a comprehensive picture of individual markets and their biggest players could be drawn up to guide their decisions on new panel banks.

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http://www.euribor.org/html/content/euribor_code.html#article1

ITEM 7: CREATION OF A USD EURIBOR

Mr R. PRIESTER informed the participants of the preliminary results of the questionnaire sent to panel banks. He added that, since the note was circulated for the meeting, one additional positive reply had been received, which led the number of replies to 19; of which 13 were in favour, 1 against, 4 neutral and one depending on BBA's willingness to expand the LIBOR panel to continental banks .

He added that this questionnaire was a preliminary step in order to establish the wider market's interest in the creation of a USD Euribor. A reminder should be sent to the panel banks which had not replied with a deadline by the end of January 2010, with a possibility to send a broader consultation paper at a later stage (including the benchmark's definition, the composition of the panel and the potential side effects for retail and corporate customers).

Mr A. SEIGNAT highlighted that the support of national associations should be foreseen in due course, should a decision to create a USD Euribor be necessary.

ITEM 8: ANY OTHER BUSINESS

a. TARGET calendar 2010

Steering Committee Members confirmed that Euribor and Eonia would follow the TARGET holiday's calendar in 2010.

b. Eonia Management Certification Form

Steering Committee Members agreed to send the Annual Eonia Management Certification Form, along with a contact form, with a deadline for returns by the end of January.

c. Request from AIAF to use Euribor individual contributions

Based on their decision on similar requests last year, Steering Committee Members decided not to allow access to Euribor individual contributions prior to September 2008.

The Secretariat was requested to inform AIAF of their decision.

Such data has always been published by Thomson Reuters, without however keeping historical data. Euribor EBF publishes such historical data on www.euribor.org since September 2008⁵, but not before.

d. New website

Mr R. PRIESTER informed Steering Committee Members that a new website was being developed, which would be a single platform for all EBF benchmarks, with rates of the day appearing on the homepage and in more user friendly navigation. The new website (www.euribor-ebf.eu) should be finalised in the first quarter 2010. Members will be informed in due course.

⁵ Individual contributions have been available on www.euribor.org since September 2008.

e. German Landesbank

Mr G-H SIEVEKING asked the Secretariat, whether they had received new information from the ECB concerning EONIA-problems with German Landesbanks, as agreed at the last Euribor Steering Committee meeting.

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List of Participants

Members

Mr Andreas BIEWALD	Commerzbank AG
Mr Paolo BOSIO	Banca Monte dei Paschi di Siena
Ms Jillian MAHON	Allied Irish Bank
Mr Alexandre SEIGNAT	Calyon
Mr Georg-Heinrich SIEVEKING	Investitionsbank Berlin
Ms Niki SOULOPOULOU	National Bank of Greece
Mr José María VERDUGO	Confederación Española de Cajas de Ahorros
Mr Antonio VILLAVERDE	Banco Bilbao Vizcaya Argentaria (BBVA)

Secretariat

Mr Robert PRIESTER	Euribor EBF
Ms Gaëlle MARQUES	Euribor EBF

Observer

Mr Thierry CAZAUX	EURIBOR ACI
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Apologies

Mr Guido RAVOET	European Banking Federation
Mrs Jaana SULIN	Nordea

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