

**39<sup>th</sup> MEETING OF THE EURIBOR STEERING COMMITTEE  
- Brussels, 3 December 2013, 10.30 to 13.30 CET –**

*Location: Avenue des Arts 56, 1000, Brussels*

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**Revised Minutes**

The Chairman, Mr G. RAVOET welcomed all the participants, in particular, Mr Holger Neuhaus (ECB) and Mr Anthony Murphy (Promontory) present as observers.

A list of participants is hereby attached.

**1. UPDATE ON THE EU AND INTERNATIONAL FRAMEWORK ON BENCHMARKS**

Mr G. RAVOET updated the members on the letter sent by EBA and ESMA after their onsite visit. He explained to participants that the main concerns for EBA and ESMA regarded the “prime bank” clarification, the finalization of the calculation agent’s Method of Work and the back-testing methodology.

Mr G. RAVOET informed participants that in a letter in response to the ESA’s letter, Euribor-EBF asked for clarification on some of their comments and for more time, as some decisions were to be taken at the General Assembly on 13 December 2013.

Mr G. RAVOET also updated participants on the regulatory framework and informed them about the meeting with MEP Sharon Bowles (Rapporteur). He mentioned the major concern for Euribor-EBF on the proposed regulation was the complex supervisory mechanism. It was suggested that a single supervisor such as ESMA should be appointed for the eurozone.

Finally, he reported to participants on the measures of the Euribor reform that had been taken, as well as on the measures expected to be finalized by the end of the first quarter in 2014.

**2. FEEDBACK ON THE CODE OF CONDUCT**

Mr G. RAVOET updated participants on the conference call between Euribor-EBF and panel banks on 14 November 2013, in order to answer their questions and provide additional guidance on the revised Euribor Code of Conduct, published on 1 October 2013. He added that panel banks raised questions regarding the Euribor definition, in particular, the “prime bank” terminology.

Mr G. RAVOET invited Members to discuss whether a list of prime banks should be established or whether the clarification of prime bank should include a credit rating dimension.

Mr A. MURPHY pointed out that if the Euribor definition were to be changed an assessment on the legal impact on existing contracts should be envisaged.

Members highlighted that a change in the Euribor definition, could lead to an increase in the Euribor rates. They insisted that the definition should not be changed given the impact it could have on existing contracts, including consumer loans.

They also commented the difficulty of defining a bank's creditworthiness and that changing the definition could lead to a discontinuity of the index and entail legal risks. It was proposed that it should ultimately be up to the market to decide whether an index was useful.

Finally, they highlighted the robustness of the Euribor index and agreed that it was crucial to focus on the need for statistical improvements, and to reduce the risks of manipulation rather than changing the definition of Euribor or the prime bank clarification.

To conclude, Members agreed that, in order to preserve the continuity of the index, the Euribor definition and the clarification of the prime bank terminology should remain unchanged.

Mr G. RAVOET added that other ways for defining creditworthiness could be sought in the future.

Separately, Mr G. RAVOET asked the Members to share their comments on a guidance document on how to comply with the Code of Conduct prepared by the Secretariat. Members approved the guidance document.

The Members agreed to eliminate from the Code of Conduct that delayed Euribor data is published on the Euribor-EBF website 90 minutes after the fixing time.

### **3. DRAFT EURIBOR CONTINGENCY PLAN**

Mr G. RAVOET reminded members that following the IOSCO Principles the benchmarks' administrator is required to adopt and publicly disclose contingency measures in the event of absent or insufficient inputs.

He invited the members to vote on a contingency plan to complement the fall back rules of Euribor. It was initially proposed that rates of the previous day should be published for a maximum period of 5 days and that Euribor Steering Committee members should meet within 5 days to discuss the next steps.

The Members discussed two possibilities which would impede the calculation of the index. These would either be because Euribor could not be computed due to a technical issue or because there were fewer than 12 banks on the panel. It was suggested that in the event of a

technical issue, the calculation agent should be able to collect the contributions by telephone or fax, delaying the publication by approximately an hour.

Finally, it was agreed that “if fewer than 12 Panel Banks have provided data by 12:30 p.m. (CET), Euribor® rates of the previous business day will be republished at 12:30 p.m. (CET) and will be used as the Euribor® rates for that day. In this event, the Euribor Steering Committee shall be convened in special session as soon as practicable on notification of a contingency event but no later than within 3 business days, in order to devise a resolution strategy preserving the continuity of Euribor.”

#### **4. CALCULATION AGENT ENHANCEMENT**

Mr G. RAVOET updated the Members on the measures taken by the calculation agent in the context of the Euribor Reform. He informed participants that Thomson Reuters undertook to develop the calculation checks as proposed by *Promontory* in their September report in the first quarter of 2014. He added that the calculation agent was expected to provide Euribor-EBF with a Service Level Agreement (SLA) by the end of the year.

Members proposed discussing potential statistical ways to improve the contribution process. It was suggested that the calculation engine could randomly choose a sub-panel of contributors that would be different each time.

Mr A. MURPHY recommended running tests to check whether this random selection would have an impact on the level of the index.

#### **5. PRE- AND POST- CALCULATION CHECKS**

Mr A. MURPHY made a presentation on the back-testing analysis performed by *Promontory* on Euribor contributions.

It was agreed that the creation of a technical Sub-Committee should be further discussed at the next meeting.

Ms G. MARQUES reminded the participants that panel banks received monthly outliers reports including the eliminated top and bottom 15% contributions. It was agreed that in the event of persistent anomalies on contributions, the Secretariat would contact the panel banks to check the understanding of the Euribor definition.

## **6. LEVEL AND USE OF EURIBOR/EONIA**

Mr G. RAVOET presented a chart showing the evolution of 1M, 3M and 12M Euribor (Chart.1) and a chart on the evolution of the Eonia (Chart. 2) since January 2013, and invited the members to share comments on the level and use of Euribor and Eonia rates.

## **7. EURIBOR/EONIA PANEL COMPOSITION**

Mr G. RAVOET informed Members about the composition of the Euribor and Eonia panels, made up of 31 and 34 banks, respectively.

## **8. EONIA**

Mr G. RAVOET informed members about the Eonia contribution incidents and explained that in most cases it was due to a technical problem linked to the contribution system.

Ms G. MARQUES updated the participants on the actions taken by Euribor-EBF and underlined that all panel banks confirmed that they had taken necessary measures to ensure adequate contributions to Eonia.

Mr G. RAVOET invited the members to approve the 2014 Eonia Management Certification Form which required that at least one person from the contributing team should be reachable by mobile phone between 6:00pm -6:45pm to ensure that the contribution could be confirmed.

Mr R. PEIRCE suggested that the wording of the Eonia Certification Form should be revised to include a sentence establishing that procedures are in place and “properly complied with” to ensure accurate reporting of Eonia data.

Members approved the 2014 Eonia Management Certification Form and suggested adding a second contact person from the Contributing Team.

Mr H. NEUHAUS made a presentation on the EONIA compilation procedures in general and the experience with panel banks’ recent contributions to EONIA and how the ECB as computational agent treats different types of contributions (e.g. early or late contributions, submissions the values of which are not expected, contributions made via contingency procedures). Recently there had been some problems when banks submitted the requested three decimals but only two decimals were transmitted to the ECB. He insisted on the importance of the contributions being transmitted via the system, since manual inputs could increase operational risks.

Mr H. NEUHAUS informed the Steering Committee’s about some technical and process enhancements the ECB staff currently considered implementing with a view to formalise existing procedures or to realise efficiency gains.

Moreover, he proposed that some procedures are reviewed and further specified. One suggested change is to request banks to transmit just one contribution per day. Another suggestion is to clarify in what circumstances the ECB as calculating agent would disregard a contribution the validity of which had not been confirmed to the ECB by 18:45. Establishing emergency contacts in case of urgent questions would also be advisable.

He also mentioned that following the IOSCO principles the administrator should keep audit records of all data from benchmark submitters and therefore the necessity and possibly modalities of disclosure of the contributions from the calculation agent (ECB) to Euribor-EBF should be further discussed.

Finally, Ms G. MARQUES informed Members that the Secretariat would work on a revised version of the Eonia Code of Conduct in the first quarter of 2014, in collaboration with the ECB as Eonia calculation agent. The suggestions that had been made by H. NEUHAUS would be part of the review.

## **9. REAL-TRANSACTIONS BASED TEST PROJECT**

Mr G. RAVOET communicated to Members that the results of the second data collection exercise for a real transaction-based index project should be analysed at the end of December 2013. He added that another stakeholders' workshop to analyse the outcome of this second test round should be expected to take place in the first quarter of 2014.

## **10. ANY OTHER BUSINESS**

Mr G. RAVOET thanked the participants for the productive meeting and invited members to revert to the Secretariat should they have further questions. Before closing the meeting, he confirmed that the minutes would be promptly circulated for approval.

### Enclosure:

D2932A-2013-39th Euribor SC Meeting list of participants

