

**MINUTES OF THE 18<sup>th</sup> MEETING OF THE EURIBOR STEERING COMMITTEE**  
- Conference call, 19 June 2003 -

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The meeting was held by conference call and chaired by BÖMCKE.

A list of participants is attached (enclosure 1).

**1. WELCOME**

The Chairman welcomed the participants and in particular the three new members of the Steering Committee, i.e. Mrs SULIN (Nordea), Mr HAÜSER (Dresdner) and Mr WOOD (HSBC).

On behalf of EURIBOR FBE, the Chairman re-expressed his gratitude for the much-valued contribution of the members who just left the Steering Committee, i.e. Messrs. BARREIRO, BRIZI and PORTER.

**2. ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING**

The Secretariat had received no written comments on the minutes of the previous meeting. The **Committee adopted the said minutes.**

**3. BUSINESS DAY CONVENTIONS AND EURIBOR**

The Chairman reminded the members that ACI had recently answered the Committee's three questions on the use of ~~business-day~~ conventions in connection with EURIBOR. A copy of ACI's answer letter is attached (enclosure 2).

**The members went through each of ACI's answers and agreed with all of them.**

It was decided that the said questions and answers should be **added to the Q&A page** of the EURIBOR website and brought to the attention of the EURIBOR panel banks. In addition, the **Secretariat was asked to invite ACI to do the same on their website.**

**4. EONIA SWAP INDEX**

EURIBOR ACI recently expressed the wish to create an EONIA Swap Index under the aegis of EURIBOR FBE.

The members of EURIBOR FBE were informed about this and are due to consult their member banks on the pros and cons of setting up such a benchmark with a view to making a decision by October 2003.

The Chairman invited the Steering Committee members to comment on EURIBOR ACI's letter and more generally on the desirability of creating such an index. **The members were not entirely convinced and felt that a strong business case was yet to be made. EURIBOR ACI should therefore provide further evidence of the need for such a benchmark.**

**Also the Committee thought that ISDA might be in a better position to sponsor such an EONIA Swap Index given their involvement in the derivatives market. The Secretariat was asked to find out ISDA's stance thereon.**

**The Committee warned against the possible dangers of creating too many benchmarks (confusion, credibility, volume, workload and costs, etc.) and urged the members of EURIBOR FBE to take an informed (i.e. not merely 'political') decision.**

Finally, the Secretariat was asked to **examine the possibility of arranging a meeting with EURIBOR ACI** so that the latter could further present his case thereby allowing the members of the Committee to make a proper assessment of the impact of the proposed new benchmark on EURIBOR and EONIA.

## 5. DEFINITION OF EONIA TRANSACTIONS

It was recalled that on 23<sup>rd</sup> May 2003 the ECB had surprised the market with a liquidity absorbing tender for the period of 23-26 May 2003 and that the Committee had instructed the panel banks that participated in the said tender NOT to include that volume in their EONIA turnover of the day on the ground that such intervention was not an inter-bank market transaction.

The members were then asked whether EONIA transactions needed a more detailed definition in order to exclude such ECB operations.

**The Committee felt that the definition should not be amended. However** the Committee asked the Secretariat that this point (i.e. ECB's liquidity-absorbing fine-tuning operation not to be included in EONIA reporting) be made **on the Q&A page** of the EURIBOR website and that the panel banks be informed thereof.

The Committee further asked the Secretariat that it be made clear on the EURIBOR website that **'overnight' means from one TARGET day to the next TARGET** (local holidays are therefore irrelevant).

## 6. AVAILABILITY OF EONIA PANEL BANKS

The Chairman mentioned that the ECB Front Office Division (responsible for the calculation of EONIA) had recently informed him of their having increasing difficulties in contacting EONIA panel banks after 6.30 p.m. CET in order to verify the EONIA contributions.

The Committee decided that a **letter** should be sent by the Secretariat **to all panel banks** reminding them of their obligations to remain reachable until 07:00 P.M. CET for verification purposes. The ECB's list of EONIA contact details will be attached to the letter and the panel banks asked to explicitly confirm the exactness of the same.

## 7. ANY OTHER BUSINESS

### (a) Basis risk between EURIBOR and EURIBOR future contracts

Following a question of one of the members, the Committee briefly discussed the ½ b.p. difference between the fixing of the 3-m EURIBOR and that of the 3-m EURIBOR future on 16 June 03 (being the expiry date of the latter).

The Committee felt that such a small difference was not a matter of concern and might be explained by *inter alia* inaccurate predictions being made of the level of the EURIBOR fixing at 11:00 A.M.

### (b) EURIBOR panel banks – database

The Secretariat informed the Committee that its EURIBOR database had just been updated.

## 8. DATE AND PLACE OF NEXT MEETING

It was decided that the next meeting of the Committee would be held on **Tuesday 9 December 2003 at 10:00 a.m. CET in Brussels**. If need be, however, an earlier meeting could be convened in order to meet ACI and discuss further their proposal to create an EONIA swap index.

12:45

Enclosures: 2