

48th MEETING OF THE EURIBOR STEERING COMMITTEE
–Brussels, 2 July 12.30pm to 4.00pm CET –

Revised Minutes

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

He introduced Mr Cyril MERKEL, Corporate Treasury of SANOFI, who has recently been appointed as a Steering Committee Member. He also introduced Mr Clive ANSELL, from ISDA. While the latter joined this meeting as a Guest, it is expected that a representative from ISDA will be nominated as a Steering Committee Member and approved by the EMMI Board of Directors and General Assembly.

A list of participants is hereby attached.

1. EONIA

Mr V. TSONCHEV presented the EONIA Contribution Process Quality Report for April and May 2015.

The Eonia benchmark was published before 7 PM every day during April and May and in accordance with the input received from the panel banks. Moreover, he pointed that even though the Eonia Code of Conduct did not yet require that banks make single contributions, the number of multiple contributions on the same day has been following a declining trend and dropped further in April.

As discussed in the previous meeting, Members agreed that in light of the increased responsibilities of administrators, the Steering Committee Members should have a better understanding of the Eonia process and underlying data. Therefore, they welcomed the ECB proposal to report additional indicators on the volumes, volatility and dispersion of panel banks' Eonia contributions, while preserving the confidentiality of individual panel banks submissions as per the current Agreement between EMMI and the ECB.

In this context, Members also discussed further the possible existence of a bi-modal distribution of Eonia submissions. In addition, it was agreed that in the forthcoming revision of the Eonia Code of Conduct, clarifications could be made with regards to the Eonia definition, particularly the eligible transactions and counterparties.

2. COMPLIANCE WITH REGULATORY AND SUPERVISORY STANDARDS

Mr G. RAVOET gave an update to the Members on the most recent developments undertaken by EMMI in the context of the Euribor Reform and of the workplan. He informed the Members of the building up of professional resources in EMMI's team.

He informed them that an extract of EMMI's external audit performed by KPMG was publicly available on the EMMI website. He added that in September EMMI will launch a tender process for the appointment of an internal auditor.

Following the Code of Obligations for Panel Banks (COPB), panel banks are required to share their external audit results with EMMI in respect of compliance with the Code of Conduct and Code of Obligations of Panel Banks. He informed the Members that for the current annual cycle, panel banks were requested to share their reports with

the Secretariat by the end of Q2 2015. In this context, the Secretariat is currently collecting all banks' reports. While 5 banks have not yet submitted these reports, all banks have committed to submit them shortly¹.

3. EC PROPOSED REGULATION ON BENCHMARKS

Mr G. RAVOET informed the participants that the proposed Regulation for Financial Indices and Benchmarks was being discussed at triologue level (European Parliament, European Commission, European Council). He underlined that the scope of the Regulation was one of the aspects that was still being debated. Notwithstanding, given the criticality of the Euribor benchmark, these discussions would not affect Euribor which would fall within the scope in any case.

The current draft text of the upcoming Regulation provides that the Belgian Supervisor, the FSMA, will be the national competent authority responsible for supervising the Euribor benchmark. In this context, EMMI organized a meeting with FSMA to update them on the Euribor reform. As a follow-up action from this meeting, EMMI will be giving frequent updates to the FSMA on the ongoing workstreams.

Mr G. RAVOET shared his concerns on the forthcoming Regulation. He explained that certain issues such as the date for entry into force and entry into application of the supervisory processes were still to be clarified. While it is expected that the forthcoming Regulation will enter into force in Q1 2016, it could take 6 months for the articles relevant to Euribor supervision to be applicable. To this end, he explained the Members that EMMI was looking into further ways to facilitate FSMA in undertaking their supervisory role for EMMI, and, in particular, to assist in the planned transition to the Euribor+ methodology for the Euribor benchmark.

Finally, he added that once the EU Regulation is finalized the Secretariat would conduct a deep gap analysis of current practice against the Regulation and would develop a workplan to address any issues that may arise therefrom.

4. TRANSACTION BASED EURIBOR STATE OF PLAY

Mr M. GUTH gave the Members an update of the Euribor+ project status.

He informed the Members of the outcome of the consultation submitted to all panel banks with regards to the clarifications of the Euribor benchmark specification to be included in the revised Euribor Code of Conduct. On the basis of the feedback received, it appears preferable at this stage not to include the proposed clarifications as to what Euribor intends to measure and certain methodological aspects, in the revision of the Code of Conduct scheduled for September as panel banks remained uncertain of the possible impact on their contribution processes.

Mr M GUTH clarified that EMMI in conjunction with the ECB, was finalizing the transaction-based methodology, in particular with respect to contingency criteria and fall-back arrangements. He gave an update to the Members on the latest developments within the Infrastructure Working Group to allow ECB-reporting panel banks to leverage the infrastructure currently being developed for the ECB's Money Market Statistical Reporting (MMSR).

Mr G. RAVOET further informed the Members that EMMI had contacted the EFMLG (European Financial Markets Lawyers Group) to discuss transition aspects and possible ways ahead to replace the current Euribor methodology with a transaction-based approach. In light of a preliminary legal opinion from counsel to EMMI and of the inputs of a first exchange of views with the EFMLG, the current lack of a legal or regulatory framework

¹ In the meantime, 2 other banks have submitted their external audit reports. EMMI expects to receive the 3 missing reports shortly.

to support transitions to new benchmarks made it preferable to adopt the lower-risk alternative of an evolutionary enhancement of the current Euribor methodology to the planned transaction-based approach.

Finally, Mr M. GUTH concluded that EMMI was planning to publish a position paper at the end of Q3 2015 consulting the broad stakeholder community on transition issues and methodological considerations.

5. FORTHCOMING REVISION OF THE EURIBOR CODE OF CONDUCT

Mrs A. FERNANDEZ informed the Members that the Code of Conduct should be reviewed on annual basis. While no major changes were anticipated in the current revision, some areas of the Code of Conduct will be clarified, based on feedback from panel banks, recommendations from Supervisory Authorities and from EMMI's internal and external audits.

Mrs A. FERNANDEZ presented the Members a list of issues to be addressed, including more prescriptive guidelines on the scope of banks' internal and external audits; clarifications in the record-keeping requirements for banks; further specifications of the selection, appointment and replacement rules for Steering Committee Members; and the introduction of a tiered sanctions framework in the event of breaches of the Code of Conduct. Members underlined that the timeframe of the tiered sanctions should be further clarified.

It was agreed that the revised Code of Conduct would be submitted to EMMI's governance bodies (Steering Committee, EMMI Board of Directors and General Assembly) during the month of September 2015 and a revised version of the Code would be adopted as from 1 October 2015.

Members agreed with the revisions proposed by the Secretariat and agreed to provide their input should certain articles in the Code require further clarification.

6. COMPLIANCE WITH IOSCO PRINCIPLE 7 ON DATA SUFFICIENCY

IOSCO Principle 7 on Data Sufficiency requires benchmarks to be based upon active markets. For the response to the previous IOSCO Review, EMMI provided the Review Team with data from the Euribor+ data collection exercise incorporating an analysis of Euribor rates against rates in adjacent markets (ie: wholesale market), a proxy analysis of transaction-based rates versus Euribor, and volatility and secular trends in underlying markets. While the IOSCO reviewers acknowledged this analysis, overall the reviewers opted not to rate this Principle for any of the IBOR administrators and requested that further work be undertaken to demonstrate compliance with the Principle.

Members discussed the importance of making progress on measuring activity in the market that Euribor seeks to represent in order to achieve compliance with this Principle. To this end, and following preliminary discussions at the last panel bank workshop from February 2015, EMMI will be asking panel banks to participate in a Quarterly Euro Money Market Survey. This has been included in the agenda of the panel bank workshop to be held on 10 July.

On the basis of the above-mentioned data, the Euribor Steering Committee will decide upon measurable minimal acceptable levels of turnover necessary to demonstrate an active market for different tenors. EMMI envisages to report to the Euribor Steering Committee on a regular basis to enable Members to assess the depth of the underlying market in accordance with the previously established thresholds.

7. CALCULATION AGENT EXTERNAL REVIEW

Following the external review of GRSS by the administrator, outsourced to Promontory, GRSS and EMMI have jointly developed a remedial action plan allowing for the identification, risk assessment and tracking of remedial actions in order to address the recommendations issued in the report. Mr G. RAVOET informed the Members that a follow-up review will be undertaken as part of the next annual review to take place in Q4 2015.

In addition, Mr G. RAVOET updated the Members on the upcoming GRSS software release, tentatively scheduled for end July, which will improve operational effectiveness of the pre-calculation checks and enable new reporting and monitoring capabilities for EMMI.

8. MONTHLY OVERVIEW OF EURIBOR BENCHMARK (April and May)

Mr C. CUSTINNE presented the Euribor benchmark dashboard for April and May 2015, featuring key indicators of the rate-setting process including multiple and late contributions, pre- and post- calculation checks, any reported submission errors and outliers.

Among other indicators, it was 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.

Particular attention was raised on the two- and three-month Euribor tenors which have progressed into negative territory since April 2015.

Furthermore, Mr C. CUSTINNE reported the highlights of the back-testing analysis for the months of April and May 2015. It was stressed that submission dispersion increased in April across most tenors and had remained high in May while increasing further at the three-month tenor.

9. COMPOSITION OF EURIBOR AND EONIA PANELS

Mr G. RAVOET reminded the Members that Danske Bank withdrew from the Euribor panel on 14 May. While EMMI is not expecting more withdrawals from panel banks at this stage, Members discussed the importance of having a broad panel when evolving into a transaction-based methodology. To this end, EMMI has started its panel solicitation, aiming to increase the number of current panel banks in anticipation of the transition.

The Eonia panel is currently composed of 35 banks and remains stable.

10. EURIBOR INTRADAY RE-FIXING

Mrs A. FERNANDEZ recalled the participants that on 4 June 2015 EMMI launched a consultation on the establishment of an intraday re-fixing for Euribor rates in the event of an error being found.

Mrs A. FERNANDEZ gave an update to the Members on the preliminary feedback of stakeholders on the Euribor intraday re-fixing consultation. She noted that EMMI was still receiving and assessing the responses. On the basis of this analysis, EMMI will make recommendations to the Steering Committee on whether an intraday re-fixing process should be established and under which conditions.



11. RENEWAL OF STEERING COMMITTEE MEMBERS MANDATE

Mr G. RAVOET pointed out to the Members that their current mandate as Steering Committee Members ends in July 2015. He acknowledged that in light of the ongoing Euribor reform, in particular with respect to the implementation of a methodology anchored in real transactions (Euribor+ project), it would be useful to extend their mandates by two forthcoming years (until July 2017).

He thanked all members for their contributions and invited them to reflect on whether they wished to extend their mandates in order to submit their nominations to the EMMI Board of Directors and EMMI General Assembly.

Enclosures: D0242A-2015-List of participants

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-Brussels, 2 July 2015, 12h30 – 17h00 CET in our premises-**

LIST OF PARTICIPANTS

Chairman

Mr Guido RAVOET

EMMI Secretary General

Members

Mr Olivier BRISSAUD

Mr José María VERDUGO

Mr Jac BESUIJEN

Mr Vincent VAN DESSEL

Ms Agathi PAFILI

Mr Philippe JEANNE

Mr Alberto COVIN

Mr Cyril MERKEL

Mr Andreas BIEWALD

EMMI

Ms Andrea FERNANDEZ

Mr Corentin CUSTINNE

Mr Mirko GUTH

Observer

Mr Vladimir TSONCHEV

European Central Bank (by conference call)



Guest

Mr Anthony MURPHY

Promontory (by conference call)

Mr Clive ANSELL

ISDA

Apologies

Mr Bruno COLMANT

Mr Karel LANNOO