

27th Meeting of the Euribor Steering Committee
- Conference Call, Thursday 27 November 2008, 12.00 – 13.30 CET -

Minutes

WELCOME

In the absence of the Chairman, Mr RAVOET, it was agreed that Mr GOSPODINOV, who welcomed the participants, would chair the meeting.

A list of participants is attached.

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were approved by the members without any further comments.

2. MATTERS ARISING FROM THE PREVIOUS MEETING

Given the current market conditions the Secretariat decided to postpone the contact with potential new panel banks, requested under item 4 of the previous meeting in January 2009.

3. EURIBOR PANEL

The members discussed the ongoing mergers and takeovers of the Euribor panel banks. The Secretariat was consequently requested to contact the treasurers of Fortis Bank, BNP Paribas, ABN Amro and RBS in order to be informed of the status of the mergers' process and, if necessary, to request the merging banks to decide under which entities they would keep on contributing, as article 3 of the Euribor Code of Conduct specified that banks belonging to the same group could only contribute one set of consolidated data.

Mr SIEVEKING also informed the members that Deutsche Bank would take over Deutsche Postbank, the latter being one of the banks to be contacted by the Secretariat to join the Euribor panel.

4. COMPLIANCE OF PANEL BANKS WITH THEIR OBLIGATIONS

The members commented on the discrepancies between individual panel banks' contributions. Mrs SULIN remarked that banks were making efforts to lower the prices and had to face a situation with very low liquidity.

Members decided that it was not the appropriate moment to take action as the situations were very different from one country to another, and depended furthermore on state aids. Members considered that discrepancies between panel banks' contributions were consistent with the current market conditions and reflected the true pricing.

5. LEVEL AND USE OF THE EURIBOR

Mr GOSPODINOV informed members that the Secretariat had been requested to report to the Euribor EBF General Assembly, at its next meeting on 5 December 2008, on the quality of Euribor

Members generally agreed that the Euribor rates constituted a good and acceptable reflection of the current European money market.

Since January 2008, Euribor rates had risen significantly to show the increase of the cash price. At the same time Eonia's rates went down, thereby representing the markets' anticipation of ECB's rate cut. Previously the Euribor rates had been very consistent with Eonia's, i.e. following the trend on the secured lending market.

It was also noted that the difference in fixing prices between the panel banks varied significantly. This was attributed to the different capacity of the financial institutions to raise funds at different levels. There still was a huge demand for short term funding, which kept prices relatively high as a result of the low supply of funds.

Noticing that the rates had come down steadily every day since October 2008, the overall opinion was that the market was unwilling to take prices down too low and too quickly owing to the current underlying global uncertainty.

Mr SIEVEKING suggested that the question as to whether the liquidity costs should be included in the calculation of the rates should be raised in the future. Mrs MAHON replied that including the liquidity costs would add a complication that was not appropriate.

6. REVIEW OF THE EURIBOR DEFINITION

Mr GOSPODINOV informed the members that the Eurepo Steering Committee had decided to amend the Eurepo definition¹ but that Eurepo Steering Committee members had decided, for consistency reasons, to await the revised Euribor definition in order to change the “prime bank” wording.

Mr SIEVEKING suggested that the problem with the wording “prime bank” could be solved by re-analysing the criteria that panel banks have to meet in order to be on the Euribor panel. The Secretariat was therefore requested to circulate by e-mail to the members the criteria required to qualify for a seat on the panel and to convoke an *ad-hoc* conference call to discuss the issue again.

It was also noted that changing significantly the Euribor definition at this point in time might send the wrong signal to an already vulnerable market.

7. ANY OTHER BUSINESS

a. USD Euribor Fixing

Members were generally in favour of the creation of such an index. Mr GOSPODINOV noted that taking the initiative of creating such an index would place the EBF in a politically sensitive position *vis-à-vis* the BBA, which is also one of its member associations.

The members took note of the EBF position but still felt that from a market point of view, the creation of a USD Euribor would be appropriate. It was suggested that the ACI Money Market Liquidity Working Group would discuss the issue at its next meeting (end of January 2009) and then provide the Secretariat with some feedback.

b. TARGET Holidays

Members confirmed that the Euribor and Eonia would follow the TARGET holidays' calendar in 2009.

c. Eonia Management Certification form

Mr GOSPODINOV informed the members that the Secretariat would send the annual Eonia Management Certification form to the panel banks in January 2009.

8. DATE AND PLACE OF NEXT MEETING

It was decided that the next meeting of the Euribor Steering Committee would take place in Brussels on 14 May 2009. This was subsequently changed to 5 June 2009 by common agreement.

¹ The new Eurepo definition can be found at www.eurepo.org.

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List of participants

Mr Paolo **BOSIO**, Banca MPS

Ms Jillian **MAHON**, AIB Capital Markets

Mr Jean-Jacques **QUELLEC**, Natixis Paris

Mr Alexandre **SEIGNAT**, Crédit Agricole

Mr Georg-Heinrich **SIEVEKING**, Investitionsbank Berlin

Ms Nikki **SOULOPOULOU**, National Bank of Greece

Ms Janaa **SULIN**, Nordea

Mr José María **VERDUGO**, Confederacion Española de Cajas de Ahorros

Mr Emil **GOSPODINOV**, Euribor FBE Secretariat

Ms Gaëlle **MARQUES**, Euribor FBE Secretariat

Apologies received:

Mr Guido **RAVOET**, EBF