

**60th MEETING OF THE EURIBOR-EONIA STEERING COMMITTEE
–Brussels, 18 May 2017, 10:30 – 16:30 CET –**

Revised Minutes

Mr. P. MERCIER thanked all participants for attending this meeting. He also welcomed and introduced Ms Dominique LE MASSON as a new member of the Steering Committee.

A list of participants is hereby attached.

1. CONFLICTS OF INTEREST

No conflicts of Interest were raised at the consideration of the items set at the agenda of this Steering Committee meeting.

2. APPROVAL OF THE MINUTES FROM LAST CONFERENCE CALL

The minutes of the Steering Committee call held on 5 May were approved. It was also suggested to send the draft minutes in advance in word version, so that members can make comments directly on the document.

3. REGULATORY AND SUPERVISORY ISSUES

Mr G. RAVOET made some clarification on the ECB press statement about the possibility of investigating an unsecured overnight benchmark based on available MMSR data. During the Workshop on 9 May, the ECB explained that the timing of such communication was not ideal but the content of the statement was true. He precised that the process was at a very premature stage. Some banks and SC members present at the Workshop asked for additional comments and more clarification from the ECB. It is suggested to ask the FSMA and the ECB to publish a common statement to clarify the situation.

The ECB will continue its efforts to provide more information on money market activity. Mr G. RAVOET highlighted that EMMI will continue as now and will particularly go on with the EONIA review.

Mr G. RAVOET explained that EMMI was invited to the meeting of the College of Supervisors on 8 May. EMMI presented the results of the Data Analysis Exercise done in the Pre-Live Verification Program. EMMI also presented the hybrid model as the alternative solution for a fully transaction-based benchmark, as well as the rationale of the decision to this model and the upcoming work of the Task Force.

Mr G. RAVOET explained that EMMI had a meeting with Mr T. LUEDER from the European Commission and discussed the following points:

- EMMI asked the Commission to accelerate the process to have Eonia on the list of critical benchmarks.
- The Commission confirmed that the ECB, as Eonia calculation agent, is exempted from the BMR
- The EC also confirmed that EMMI could launch a new benchmark after January 2018 without having to ask authorisation at the same time.

Finally, Mr G. RAVOET gave an update on the status of the Royal Decree. As a reminder, this Royal Decree was intended to be adopted by mid-2016 in order to enable EMMI to gather panel banks' data to perform the PLVP and to cover the interim period until the EU BMR would enter into force on 1st January 2018. The FSMA informed EMMI that the Royal Decree will not be published as the BMR provides for the immediate application of the regime for critical benchmarks. In addition, the College was established and the FSMA was endowed with a mandate to ensure the continued representativeness of the Euribor. EMMI also proved to be successful in collecting data from 31 banks for the PLVP. Mr G. RAVOET concluded by confirming that the FSMA and EMMI were in close contact and the FSMA will provide EMMI with guidance regarding the Euribor reform.

4. EURIBOR BENCHMARK OVERSIGHT

Mr A. LOPEZ explained that at the end of April and beginning of May, GRSS, Euribor Calculation Agent, has experienced a series of incidents that impacted the production of the Euribor Benchmark. Some of these incidents included a delay in publication. GRSS will send a full incident report to EMMI.

5. EURIBOR PROJECT

a) Conclusions of the Euribor Workshop of 9 May

Ms P. DE DEYNE presented a summary of the Euribor Workshop which took place on 9 May 2017. During the Euribor Workshop, EMMI presented the outcome of the Data Analysis Exercise of the Pre-Live Verification Program. Panel Banks received an in-depth view on the rationale underpinning the non-feasibility of a fully transaction-based benchmark, in terms of spread, volatility levels and number of transacting parties on a daily basis.

Following the results of the PLVP, EMMI will start immediately with the development of a hybrid methodology whereby transactions will be used where available and appropriate and other pricing sources where necessary. This development is to be done together with the banks. Ms P. DE DEYNE explained that EMMI set up a dedicated Euribor Task Force, and calls for nominations. For the moment, EMMI received 7 new applicants and a number of banks have indicated interest in will confirm shortly.

b) Approval of the membership for the Euribor Task Force – For Approval

EMMI received applications from Barclays (2), CaixaBank (1), Deutsche Bank (2), Intesa Sanpaolo (1), DZ Bank (1) one member of the Steering Committee and one independent expert. The Steering Committee approved the proposed applicants to the Euribor Task Force. They had already approved by email the applications from BNP Paribas and National Bank of Greece. In addition, the FSMA and the ECB will join in the capacity of observer.

For next applications, it is suggested to ask for a more detailed biography which will show concrete elements proving that the candidate is the right person for this Task Force.

c) Revised Terms of Reference – For Approval

Ms. P. DE DEYNE presented the revised Terms of Reference for the Euribor+ Task Force. It has been reviewed on 5 May: any reference to “Euribor+” and “fully transaction-based methodology” had been adapted to adequately reflect the upcoming work.

In addition, on the request by a number of applicants to the Task Force, EMMI has now explicitly made reference to the fact that the Task Force does not have any decisive power and only has an advisory role to the Steering Committee:

The Steering Committee Members unanimously approved the revised Terms of Reference for the Euribor+ Task Force.

- d) Immediate next steps
- e) Follow-up on communication press

These two points are included for information in the working documents. Due to time constraints, they were not discussed during the meeting.

6. EONIA BENCHMARK OVERSIGHT

Mr. V. TSONCHEV (ECB) presented the EONIA Contribution Process Quality Report from January to April 2017.

In January 2017, EONIA was published on time in 95% of the cases and according to the input received. On 12 January, however, EONIA was published with a delay of about 1h due to partial failure of the GRSS system. The failure did not prevent banks to contribute through GRSS, but the system failed to publish the EONIA before 19h. Therefore, the ECB activated the fall-back provisions for publishing and GRSS triggered a manual dissemination. GRSS has been investigating the root cause of the problem and making tests for a possible fix. Additionally, the number of multiple contributions was stable at 3 this month. There was no case in which the ECB overwrote an existing contribution, no case of contribution outside the system and no case of late contribution to EONIA. However there was one case of an outdated contact in the EONIA contact list.

In February 2017, EONIA was published on time in 100% of the cases, and was always calculated according to the input received. No failures have been registered in the GRSS system this month. The number of multiple contributions was two, slightly lower than in January (three), with an average number of multiple contributions equal to two (unchanged). There was one case of outdated contact and banks were always reachable to confirm their contributions.

In March 2017, there were no serious issues related to the calculation process.

In April 2017, the number of multiple contributions increased to 5 from only 1 in March. There were no serious issues related to the calculation process, except for few exceptions in the normal process:

- There was one instance when the ECB had to contribute on behalf of a panel bank, which could not submit its contribution in GRSS applying a 4-eyes principle as no user with submitter role was present in the office.
- In one case an outdated panel bank contact was spotted.

7. EONIA GOVERNANCE FRAMEWORK

At the end of April, EMMI published the Eonia Governance Framework documentation. Since then, EMMI has been contacted by Eonia Panel Banks and other stakeholders with questions regarding, in particular, some of the requirements and aspects of the new Eonia Code of Obligations of Panel Banks. Therefore, EMMI has answered the questions from Eonia Panel Banks/stakeholders (see working documents).

Mr A. LOPEZ reminded that the goal of the Eonia Review was to establish stand-alone governance framework for the Eonia benchmark, consistent with regulatory expectations and industry best practices. To this end, the Governance Code of Conduct (GCC), the Code of Obligations of Panel Banks (COPB), and the Benchmark Determination Methodology (BDM) would formally document the operational and control arrangements to ensure the integrity and robustness of the Eonia benchmark, including requirements for Panel Banks with respect to data controls, record-keeping, and internal review.

The Eonia Governance Framework approved in April 2017, reviews and enhances the governance, organizational arrangements and policies and procedures supporting the administration and calculation of Eonia, emphasizing transparency, the avoidance of conflicts of interest, and clarity of roles and responsibilities for all parties involved in the benchmark determination process, in particular Panel Banks. Given the dramatic shift and detailed specification of requirements in the Eonia Governance Framework when compared to its previous version, two Eonia Panel Banks have decided to stop their contributions and others have voiced concerns.

Therefore, EMMI recommended to postpone the full implementation of the Eonia Governance Framework until the Eonia benchmark has been declared critical by the European Commission and the FSMA has initiated the process to establish the corresponding College of Supervisors. In doing so, EMMI expects to diminish the possible negative impact that the full implementation of the Governance Framework may have on the current Eonia Panel composition.

The Steering Committee Members unanimously approved to postpone the implantation of the Eonia Governance Framework to January 2018.

8. EONIA REVIEW

Mr. A LOPEZ gave an update on the latest developments regarding the Eonia Review. He reminded that the objective of the Eonia Review Data Exercise was to gather information on the general dynamics and characteristics of the interbank lending market and support any potential changes in the data input and/or calculation methodology of the Eonia benchmark. The invitation was sent to the 33 Eonia Panel Banks. For the moment, EMMI has received 8 answers, 6 of these were positive.

9. COMPOSITION OF THE EURIBOR AND EONIA PANELS

There has been no change to the composition of the Euribor panel.

Regarding the Eonia panel, EMMI has received notice from KBC and UbiBaca that they intend to leave the Panel.

10. RISK MONITORING

Ms G. MARQUES presented the quarterly risk report on the evolution of the high and medium risks related to the Benchmarks Administration of Euribor.

Due to time constraints, the interim Risk Assessment Report on the Euribor Project will be discussed during the next meeting.

11. PANELBANKS COMPLIANCE WITH THE CODE

Ms G. MARQUES confirmed that EMMI received a duly signed 2016 Declaration of Adherence from every bank into the Panel.

12. WAY FORWARD

In the light of the upcoming work on the Euribor Project, it is suggested to have ad hoc calls or meetings if necessary in order to inform the Steering Committee along the process.

In order to have lively and constructive discussion, it is also suggested to review the timing of the meeting (start earlier or finish a bit later).

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LIST OF PARTICIPANTS

Chairman

Mr Paul MERCIER

Members

Mr Andreas BIEWALD

Mr Jac BESUIJEN

Mr Alberto COVIN

Mr Franck HEBEISEN

Mr Karel LANNOO

Ms Dominique LE MASSON

Mr Cyril MERKEL

Mr Tomasz MIRONCZUK

Ms Agathi PAFILI

Mr José María VERDUGO

EMMI

Ms Petra DE DEYNE

Ms Andrea FERNANDEZ CARNICERO

Mr Alberto LOPEZ MARTIN

Ms Gaelle MARQUES DOS SANTOS

Mr Quentin OLBRECHT

Mr Guido RAVOET

Guest

Mr Vladimir TSONCHEV

European Central Bank (via conference call)

Excused

Ms Catherine FARRER (observer)

Mr Vincent VAN DESSEL