

**31<sup>st</sup> MEETING OF THE EURIBOR STEERING COMMITTEE  
- Brussels, 14 October 2010 -**

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**Final Minutes**

The Chairman, Mr G. RAVOET welcomed the participants. A list of participants is hereby attached (enclosure 1).

**1. MINUTES OF THE PREVIOUS MEETING**

The revised minutes of the previous meeting were unanimously approved.

**2. LEVEL AND USE OF EURIBOR/EONIA**

Steering Committee members discussed the level of the Euribor/Eonia rates in light of the current market conditions.

They commented that the rise of Euribor (in particular 3-months tender) close to the 1% ECB rate was consistent with lesser degree of liquidity on the market. They considered it as a good signal that the banking system was recovering marginally and that banks generally did not need to turn to the ECB to get liquidity. They forecasted new drops of Euribor rates in the following two months. They added that at some point, if banks do not turn to the ECB to fund reserves and autonomous factors, there will be a lack of liquidity and the Eonia will rise.

It was also commented that the banks of some countries can only fund themselves with ECB facilities. Fortunately that situation was normalising as some banks have been able to use CCP's and domestic products (ex: repos).

Additionally, banks were preparing to face the exit strategy of the ECB. Competitive issues might arise next year and banks are trying to revert to the market, although, in the opinion of the members, the exit strategy should be delayed for a few months given the deterioration in peripheral European market conditions.

Mr A. BIEWALD commented that credit lines were reduced between German banks and that banks were reducing their balance sheet totals, which was good for capitalisation.

To conclude, members agreed that the rise of the fixing was consistent with market and a reduction of excess liquidity conditions. They added that there might be some volatility of the Eonia going forward. The good indication is that it is due to the banks activity and not to the ECB's intervention, which shows that the responsibility of money market policies is

in the hands of the banks. Mr G. RAVOET added that this is in line with Mr TRICHET's opinion that Euribor rise shows a return towards a normal market situation.

### **3. COMPOSITION OF THE EURIBOR/EONIA PANEL**

Mr G. RAVOET informed the members of *Banque Postale's* decision to apply for a seat on the panel. Members approved their inclusion and it was agreed that the formal approval would be done by written procedure upon receipt of relevant information, from *Banque Postale*, on their balance sheet.

Mr P. BOSIO suggested reviewing the applications of two additional Italian banks: *UBI Banca* and *Banco Popolare*.

Regarding the two standing applications of *Caja Madrid* and *Bancaja*, Mr J.M. VERDUGO informed the members that there would be an integration (IPS) with 5 other savings banks to create one large group, which should be legally integrated by the end of the year. It was agreed to postpone the review of those applications for a few months after the establishment of the Group.

Mr G. RAVOET also suggested reviewing the standing application of *Nova Ljubljanska Banka* (NLB). He confirmed that it was an independent bank active in the South East of Europe. He added that adding them to the panel, and thereby applying the criteria of geographical balance, would be a good signal.

Members felt that it was still not the good timing in light of current market conditions and that the geographical aspect should be balanced with the credibility aspect.

To conclude, members agreed to review the applications of *Banque Postale* and *Pohjola* and to postpone further enlargement at this time.

### **4. COMPLIANCE OF THE PANEL BANKS WITH THEIR OBLIGATIONS**

#### *a. Panel banks' contributions*

Steering Committee members received a presentation on panel banks contributions' year-to-date by Mr Brian MARTIN, Head of Treasury Content EMEA of Thomson Reuters, and requested the Secretariat to identify banks that should be warned about their contribution processes.

One of the main issues identified by Mr B. MARTIN was the need to receive panel banks' contributions *via* the regular system, rather than orally on the telephone, in order to reduce the margin for potential errors and, consequently, risks for re-fixing. He added that one positive aspect of the report was the low number of "no" contributions.

It was suggested that *Thomson Reuters* could implement an automated solution allowing (1) to send an acknowledgement of receipt (2) send an alert at 10h50 to those who have not yet contributed.

### ***b. Sanctions***

Mr G. RAVOET reminded that sanctions were already provided for by article 9 of the Code of Conduct: “*The Steering Committee may take the following sanctions if panel banks do not comply with the obligations under this Code:*

- *issuance of a warning to remedy the situation quickly;*
- *if such a warning is ignored, exclusion of a panel bank from the panel.”*

The Secretariat was requested to circulate the names of the “worse” five contributors. Additionally, Steering Committee members agreed that the warning letter as drafted by the Secretariat should be sent to people at high senior level within those identified organisations.

### ***c. Panel Banks Contributions’ Exclusion Rules***

The simulation conducted by *Thomson Reuters* with 20% of excluded banks (top and bottom) in the calculation of Euribor rates rather than the current 15% demonstrated very little impact on the rates. Consequently, it was agreed to keep the current 15% exclusion rule.

### ***d. Re-Fixing Rules***

Members agreed that a re-fix should take place only when there was a demonstrable error in the calculation (not if a contributor inputs rate(s) that it later believes to be incorrect), with no time limit<sup>1</sup>.

## **5. USD EURIBOR**

Steering Committee members shared views on the recommendation of the Task Force on USD Euribor on the main features of the USD Euribor (Code of Conduct and Technical Features).

Mr P. BOSIO expressed his concern regarding the reputational risks that the banks could face. He strongly suggested having a broader consultation paper evaluating the impact on the banking industry.

The members of the Task Force explained that their recommendations on the Code of Conduct and Technical Features were reflecting broad discussions amongst Task Force’s members about the impact of the new fixing. They confirmed that this work was a first step in the implementation of the project.

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<sup>1</sup> After this meeting, the members of the Euribor Steering Committee agreed on the following refixing rule: *in case of Refix, the reference quotation is the corrected fixing (“Re Fix”) if this new rate is advertised no longer than one hour after the regular fixing hour.*

Mr G. RAVOET reminded the members that the work on a USD Euribor was done in response to a demand from the market. He added that the General Assembly, which is the body defining the strategy of Euribor-EBF, had mandated the Steering Committee to run this project and change the relevant documents. The final decision to create a benchmark is taken by the General Assembly.

The Secretariat was requested to make two additional changes to the documents:

- The panel banks shall not be less than 25 banks (instead of 20).
- Article 1.3: “panel banks must be banks of good credit standing *in the market* [...]”.

Six members of the Steering Committee present at the meeting voted in favour of the recommendation of the Task Force and one abstained.

## **6. COMMUNICATIONS**

Ms G. MARQUES made a presentation on the enhancement of Euribor-EBF Communications tools. She explained the main objectives and features of the new Euribor-EBF website, which was successfully launched in July 2010 and reached an average number of visitors of 140 000 *per* month.

She also informed the members of the creation of a new Euribor-EBF newsletter with a view to push the information towards a large public of benchmarks’ users and requested Steering Committee members to share their expertise by contributing to it through articles or market analysis.

It was agreed that the Secretariat would send a call for contributions by e-mail after the meeting.

## **7. ANY OTHER BUSINESS**

### ***a. Eonia Management Certification Form***

It was agreed that the annual Eonia Management Certification Form should be sent to the panel banks in December, along with a contact form. It was suggested that the Secretariat would specifically request a contact from the Trading room and a contact from the Executive team.

### ***b. TARGET Holidays***

Steering Committee members confirmed that the Euribor and Eonia would follow the TARGET holidays’ calendar until further notice.

### ***c. Date and place of 2011 meetings***

The Secretariat was requested to circulate the 2011 meetings’ calendar by e-mail.

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