

Meeting of the working group on euro risk-free rates

held in Frankfurt am Main on Thursday, 14 March 2019, 11:00 to 16:00 CET

SUMMARY

1. Introductory remarks, approval of the agenda and obligations of working group members as regards competition law

Steven van Rijswijk (Chair) asked the members of the working group on euro risk-free rates to approve the agenda for the meeting and reminded them of their obligations under EU competition law, as described in the guidelines on compliance with EU competition law published on the ECB's website.

2. Results of the working group vote on the recommendations on the EONIA transition and of the working group vote on the recommendation on the term rates methodologies

Cornelia Holthausen (ECB) informed the working group of the outcome of the vote on the recommended transition path from EONIA to the euro short-term rate (€STR), and of the outcome of the vote on the recommended €STR-based forward-looking term structure methodology. There was unanimous support for both recommendations among the working group's 21 voting members, which indicated strong backing consistent with the feedback received from the market in the public consultations.

Ms Holthausen also informed the working group that the ECB will start publishing the €STR from 2 October 2019, reflecting the trading activity of 1 October 2019.

The ECB will also calculate a one-off spread between the €STR and EONIA, as requested by the working group. It will do so according to the methodology recommended publicly by the working group on the basis of the pre-€STR and EONIA data, which will be publicly available at that time. The resulting spread will be communicated on the day that the change in the EONIA methodology is announced.

Ms Holthausen explained that the ECB's press releases related to these matters had been published on the ECB's website at the same time as the announcements were made to the working group in order to avoid the possibility of any privileged information being published.

Alberto López (EMMI) informed the working group that, in view of the results of the working group vote, EMMI would publish a public consultation on 20 March 2019 addressing the practical implementation of the working group's recommendations. The deadline for comments on this public consultation is 15 April 2019. EMMI will publish an anonymised feedback summary at the end of May 2019.

3. Subgroup 3 to present their update on the EONIA legal action plan and proposal for recommendations to the working group

José Carlos Pardo (BBVA) presented a summary of the legal action plan being prepared by subgroup 3 for the transition from EONIA to the €STR. The presentation covered scope, key considerations and possible recommendations to be included in the EONIA legal action plan. The working group provided support and guidance to Subgroup 3 to enable it to prepare the EONIA legal action plan, which will cover recommendations for new and legacy contracts linked to EONIA for all financial products. Overall, the working group agreed with the outline of the EONIA legal action plan and the envisaged recommendations, and asked Subgroup 3 to proceed with preparing a draft consultation paper to be presented at the next working group meeting on 10 May 2019 and subsequently released as a public consultation in mid-May.

4. Update on a re-organisation and next steps for the working group on euro risk-free rates

4.1. Reorganisation of the working group on euro risk-free rates

Jaap Kes (ING) presented a refined proposal for reorganising the working group's substructures and the reasons for doing so, and thanked working group members for their comments and suggestions since the last working group meeting. To ensure that the working group's recommendations would be adopted by all market participants, he suggested that it could set up the following additional work streams and related subgroups:

- work stream 5 – cash products and derivatives;
- work stream 6 – financial accounting and risk management issues;
- work stream 7 – communication and education.

In addition, he suggested that: (i) Subgroup 4 on EONIA transition should now be discontinued and its remaining tasks (a possible compensation mechanism for closing out EONIA legacy exposure on the succession date and further analysis of the discounting regime) could be transferred to the new subgroup 5; (ii) Subgroup 5 could also take over some of the tasks of subgroup 2 on term structure methodologies – including the analysis of and possible interactions between the backward and forward-looking methodologies – while other tasks would remain with subgroup 2; and (iii) Subgroup 3 on legal aspects and contractual robustness should remain unchanged.

The detailed objectives of each of the new subgroups, as well as those of the existing ones (subgroups 2 and 3), were set out in a document detailing the next steps for the working group, which would be published on the ECB's website shortly after the working group meeting.

The working group agreed to the proposed reorganisation of the substructures.

In the context of the reorganisation, several working group members enquired about the role of the working group with respect to the Euribor. The Chair clarified that the working group's mandate was to find alternatives based on risk-free rates (RFRs) for current benchmarks. Given the likelihood that EURIBOR would comply with the EU Benchmarks Regulation by August 2019, the working group would continue to focus on RFR-based alternatives that could be used as a fallback for EURIBOR. The working group and the observer institutions agreed on the importance of EURIBOR.

Jean-Louis Schirmann (EMMI) noted that it is EMMI's responsibility, as EURIBOR's administrator, to lead any work related to the benchmarks it administers. He indicated that EMMI would call for the involvement of as broad a range of stakeholders as possible, as it had done on other occasions in the past, in order to explore and find ways to ensure EURIBOR's sustainability once the hybrid methodology is fully implemented. With regard to increasing the number of banks currently participating on the EURIBOR panel, EMMI was open to initiatives and, as a starting point, Mr Schirmann encouraged those working group members who were currently not members of the EURIBOR panel to join as contributors. The Chair welcomed EMMI's initiative to engage all relevant stakeholders, beyond the members of the working group, and to discuss the further reinforcement of EURIBOR.

4.2. Draft terms of reference for the new sub-groups

The ECB Secretariat indicated that the working group members would be asked to approve the terms of reference for the three new subgroups via written procedure. The terms of reference defined the governance, membership, deliverables, reporting and transparency arrangements applicable to these new subgroups, and would be published on the ECB's website once approved by the working group, in line with transparency requirements.

4.3. Way forward and call for expressions of interest in participating in the sub-groups

The ECB Secretariat indicated that a call for expressions of interest in participating in the new subgroups would be opened to working group and all subgroup members, as well as to those who had previously applied to the substructures and who had so far not been part of a group. It was recalled that a call for expressions of interest was still open on the ECB's website for new institutions interested in joining the substructures, and that the need to involve a variety of institutions should be a primary consideration when forming the new groups. As was the case when the existing subgroups had been set up, the selection procedure should be led by the Chair of the working group, the chairs of the subgroups and the ECB Secretariat, together with the other public authorities that are observers in the working group (the European Commission, the Belgian Financial Services and Markets Authority (FSMA), and the European Securities and Markets Authority (ESMA)). It was anticipated that the new groups would be established by the beginning of April 2019. Along with the terms of reference, details of the groups' chairs and composition would be made public on the ECB's website.

5. Any other business

5.1. Further considerations regarding the €STR-based term structure

Rick Sandilands (ISDA) recalled the ongoing work of the International Swaps and Derivatives Association (ISDA) on backward-looking RFR-based fallbacks for derivatives, as mandated by the Financial Stability Board (FSB), and pointed out that feedback received on ISDA's consultations had stressed the importance of consistency across currencies. He asked the working group to take this into account when addressing the potential use cases for a EURIBOR fallback based on a forward-looking €STR term structure and highlighted the need for careful

communication on this topic. **Jaap Kes (ING)** confirmed the need for coordination going forward and noted that the working group would consider all relevant perspectives in its analyses.

5.2. Next meeting

The next meeting of the working group will take place at the ECB on Friday, 10 May 2019, from 09:00 to 13:00 CET.

List of meeting participants

Participant's organisation

ING

ING

Voting members

Bank of Ireland

Barclays

Bayerische Landesbank

BBVA

BBVA

BNP Paribas

BNP Paribas

BPCE/Natixis

CaixaBank SA

CaixaBank SA

Crédit Agricole

Crédit Agricole

Deutsche Bank

DZ Bank

DZ Bank

Erste Group Bank AG

Eurobank Ergasias SA

HSBC

ING Bank

ING Bank

Intesa Sanpaolo

KfW Bankengruppe

LBBW

Santander

Société Générale

Société Générale

UniCredit Bank

Name of participant

Mr Steven van Rijswijk (Chair)

Ms Marjolein de Jong-Knol

Mr Barry Moran

Mr Joseph McQuade

Mr Harald Endres

Mr Ignacio Ollero García-Agulló

Mr José Carlos Pardo

Mr David Gorans

Mr François de Neuville

Mr Olivier Hubert

Mr Juan Cebrián Torallas

Mr Sergio Castellá

Mr Carlos Molinas

Ms Florence Mariotti

Mr Jürgen Sklarczyk

Mr Cornelia Gericke

Mr Christoph Block

Mr Neil McLeod

Mr Theodoros Stamatiou

Mr Pierre Jenft

Mr Jaap Kes

Ms Johanneke Weijtens

Ms Maria Cristina Lege

Mr Ingo Ostermann

Mr Jan Misch

Mr Carlos Infesta

Mr Olivier Balpe

Mr Stéphane Cuny

Mr Alberto Covin

Non-voting members

European Money Markets Institute

European Money Markets Institute

International Capital Market Association

International Swaps and Derivatives Association

International Swaps and Derivatives Association

Mr Jean-Louis Schirmann

Mr Alberto López Martín

Ms Catherine Wade

Mr Rick Sandilands

Mr Ciarán McGonagle

Invited institution

European Investment Bank

Mr Olivier Chapiteau

Observers

European Central Bank

Ms Cornelia Holthausen

European Central Bank

Mr Holger Neuhaus

European Commission

Mr Tilman Lüder

European Commission

Ms Alessandra Atripaldi

European Securities and Markets Authority

Mr Michele Mazzoni

Financial Services and Markets Authority

Mr Randy Priem

Financial Services and Markets Authority

Mr Timothy de Meester

Secretariat

European Central Bank

Ms Anne-Lise Nguyen

European Central Bank

Ms Stephanie Broks

European Central Bank

Mr Pascal Nicoloso

European Central Bank

Ms Yasmina Santalla Pérez

European Central Bank

Mr Mikael Stenström

European Central Bank

Mr Vladimir Tsonchev