

Meeting Minutes

Attendees	
Meeting Title	71st Steering Committee Meeting
Date and Time	15th May 2019
Location	EMMI premises in Brussels
Voting Members	A. COVIN (Chair); J. BESUIJEN; J.C. CUEVAS (by call); F. HEBEISEN; D. LE MASSON; C. MERKEL; T. MILLION; T. MIRONCZUK; J.M. VERDUGO L. VLAMINCK
Non-voting members	J.-L. SCHIRMANN (EMMI Secretary General, ex-officio member);
Excused	A. BIEWALD; V.VAN DESSEL
Observer	O. BRISSAUD (EMMI Board of Directors)
Quorum	10 out of 12 voting members

Agenda Item	
WELCOME	The Chairman A. COVIN welcomed the members to the meeting. The Chairman also welcomed Mr. O. BRISSAUD Member of EMMI's Board of Director, as observer for this meeting.
ITEM 1 CONFLICTS OF INTEREST	<p>Discussion Points :</p> <p>The Chairman reminded everyone that Members of the Steering Committee are appointed on a personal basis and should not be subject to instructions from the company/organization they are affiliated to (if any). Members are personally responsible to recuse themselves of relevant decision making in the event a conflict of interest situation might arise.</p> <p>Members had no conflict of interest to declare.</p>
ITEM 2 MINUTES OF THE PREVIOUS MEETING	<p>Discussion Points :</p> <p>Members requested some editorial changes to Items 3 and 7 of the 12th March meeting minutes. Members approved the publication of the draft minutes, after their remarks had been taken care of.</p> <p>Decision and votes :</p> <p>Minutes of the previous meeting were approved unanimously.</p>

	<p>Action points :</p> <p>To review the draft minutes according to Members’ comments and publish the approved minutes on the website.</p>
<p>ITEM 3</p> <p>REGULATORY AND SUPERVISORY ISSUES</p>	<p>Discussion Points :</p> <p>Ms G.MARQUES informed the members that the FSMA had notified EMMI that the application file was deemed complete and would be shared with the College of Supervisors. While the authorisation process may take up to 4 months, it is expected that the decision is made and communicated in a shorter time frame.</p> <p>The Chairman asked if the 4 month period commenced from the submission of the file or from the announcement that the file is deemed complete. Ms G. MARQUES confirmed it is the latter.</p> <p>Ms D. LE MASSON asked about the timing of the authorisation process of EONIA and whether the authorities could assess the authorisation of both EURIBOR and EONIA simultaneously. Ms G. MARQUES replied that the two authorisation processes are considered separate on EMMI’s side. Mr J.-L. SCHIRMANN added that as EMMI has not yet filed for EONIA, it is too early to comment on the process. He reassured that EMMI is taking the timeline for the recalibration of EONIA into consideration.</p> <p>Ms D. LE MASSON further asked if there was any update on EMMI’s side regarding the release of the public consultation on the EONIA to €STR legal action plan that was prepared by Sub Group 3 of the RFR Working Group. Ms G. MARQUES replied that EMMI had participated in the work of the Sub Group and had ensured that the EONIA recalibration would be accurately reflected in the consultation.</p> <p>Mr T. MIRONCZUK mentioned a number of recent publications and statements made by different industry working groups and international bodies on benchmark reform efforts. He concluded that some of the topics under discussion would be relevant for EMMI’s benchmarks in the long run. He proposed to share links to these communication with the other members.</p> <p>Decision and votes:</p> <p>n/a</p> <p>Action points :</p> <p>n/a</p>
<p>ITEM 4</p> <p>EONIA RECALIBRATION: FEEDBACK SUMMARY TO PUBLIC CONSULTATION</p>	<p>Discussion Points :</p> <p>Mr A. LÓPEZ presented the feedback summary to EMMI’s Consultation Paper on EONIA for recommendation of approval to the Board of Directors. He reminded the members that the Consultation Paper contained seven questions related to the EUR RFR Working Group’s recommendations to change the EONIA methodology to “the €STR plus a spread” and the implications this change would have on operational aspects of EONIA. EMMI received close to 60 responses to the</p>

consultation, with the feedback received being mainly in line with feedback that was given to the prior public consultation conducted by the EUR RFR Working Group on the €STR and EONIA.

The main concerns related to the short timeline to implement the recalibration of the methodology, while there was equally an understanding that the proposed solution was the only viable compromise. Respondents did not wish for EONIA, under its current methodology to continue to be published together with the €STR. The feedback did not support EMMI's proposed publication time of 11 a.m. CET. EMMI had proposed this time to align it with the re-fixing time of the €STR and therefore avoid possible re-fixings of EONIA, however respondents preferred that the two rates are published as closely in time as possible to facilitate the transition from EONIA to the €STR. Based on the feedback of respondents, the Steering Committee unanimously decided to recommend 9.15 a.m. CET as the publication time of the recalibrated EONIA.

Regarding the switch from publishing EONIA in the evening of day T to the morning of day T+1, EMMI had originally planned to perform this switch on 1st October 2019 so that EONIA under the new methodology would be published for the first time in the morning of 2nd October. The choice of this date was made in order to align with the first date on which the €STR would be released (i.e. 2 October) and to accommodate the RFR WG recommendations. As this day falls on a Wednesday, some respondents expressed a preference for the switch in publication time to occur on a Monday to allow for IT changes to be implemented over the weekend. However Monday 30th September represents both a month and quarter end, which is significant for financial and regulatory reporting and valuation. Following further follow-up by EMMI, the consensus appeared to favour the original suggestion for the switch in dates.

The Steering Committee discussed this topic at length and considered a number of alternatives to the two presented above. In the end, the members considered that the original suggestion, which was also the recommendation of the EUR RFR Working Group, was the most suitable option given all the considerations. The Steering Committee therefore decided unanimously to recommend that the switch in publication from T to T+1 occur on 1st October 2019, with no EONIA rate being published on that day, and the EONIA reflective of the market on 1st October being published on 2nd October 2019 at 9.15 a.m. CET. The members wished to underline that based on the consultation feedback, this implementation may carry some risk to IT processes.

Decision and votes :

The Steering Committee unanimously agreed with the publication of the recalibrated EONIA at 9.15 a.m. CET and that the recalibration should occur on 1st – 2nd October 2019. It was also agreed that it should be mentioned that EMMI does not have a preference among the different options for implementing the change

	<p>in the EONIA methodology. With those features the Steering Committee recommended the approval of the feedback summary to the public consultation to the Board of Directors.</p>
	<p>Action points :</p> <p>The EUR RFR Working Group should be informed of the Steering Committee’s decisions regarding the recalibrated EONIA.</p>
<p>ITEM 5 EONIA RECALIBRATION</p>	<p>Discussion Points :</p> <p>Mr A. LÓPEZ presented the main features and implementation plans for the recalibrated EONIA. From 2nd October onwards EONIA will be calculated as the €STR plus a spread. The spread will be determined by the ECB and published on 31 May 2019. The spread will remain fixed and irrevocable for the remaining duration of EONIA. Following the implementation of the new methodology the EONIA panel will be dissolved. The planned discontinuation date of EONIA is 3rd January 2022, which will act as an incentive for the market to adopt €STR as EONIA’s replacement. Members asked if the recalibrated EONIA would require its own Steering Committee. Mr J.-L. SCHIRMANN replied that this would need to be checked with the FSMA during discussions regarding the authorisation of EONIA. The need for an oversight body is nevertheless clear in the BMR.</p> <p>Members also wondered if the spread was being calculated too soon, given that there could be market events between end of May and beginning of October. Mr J.-L. SCHIRMANN replied that the EUR RFR Working Group had made clear that the calculation and publication of the spread should occur at the same time EMMI’s decision regarding the change of methodology was made public, in order to ensure market participant’s and user’s preparedness.</p> <p>Decision and votes:</p> <p>Based on the discussion for this item and the previous item, the Steering Committee unanimously approved the features of the EONIA recalibration for recommendation to the Board of Directors.</p> <p>Action points :</p> <p>n/a</p>
<p>ITEM 6 EURIBOR PROJECT</p>	<p>Discussion Points :</p> <p>Mr A. LÓPEZ provided the members with an update of the hybrid EURIBOR project. The phased implementation of the hybrid methodology has begun, and everything has been running smoothly so far. EMMI is in the process of reviewing the Level 3 methodologies of each bank, before they are transitioned to the new methodology.</p> <p>Decision and votes :</p> <p>n/a</p> <p>Action points :</p>

		n/a
ITEM 7 QUARTERLY RISK METRICS REPORT Q1/2019	RISK REPORT	Discussion points: <p>Mr K. BOUNYAR presented the Quarterly Risk Metrics Report for the first quarter of 2019. The report shows actual risk exposures compared with the pre-set tolerance limits. He highlighted only the two instances where the actual exposure exceeded the tolerance.</p> <p>The members had no comments on the report.</p>
		Decision and votes: <p>n/a</p>
		Action points: <p>n/a</p>
ITEM 8 EURIBOR UPDATED RISK REPORT		Discussion Points : <p>Mr K. BOUNYAR presented the updated Risk Assessment Report on EURIBOR. In scope of the report are both EURIBOR as-is (i.e. under the quote-based methodology, and also the hybrid EURIBOR project). For EURIBOR as-is, 27 inherent risks were identified, 24 of these were classified as high risk and 3 as medium risk. Thanks to mitigating actions in place, 20 inherent high risks are classified as low residual risks, and 4 as medium residual risks. Likewise 2 medium inherent risks were mitigated to low residual risk. One medium inherent risk remained medium residual even after mitigation.</p> <p>For the hybrid EURIBOR, 9 inherent high risks were identified. After mitigating actions, 4 risks were reduced to medium residual and 3 to low residual. 2 risks were not assessed.</p> <p>Members asked what happens if the EBASS system is unavailable. Mr D. COWEN explained the DRP procedures of EMMI and GRSS, as Calculation Agent.</p> <p>Members also asked if reputational risk is measured. Mr K. BOUNYAR replied that risks are first identified chronologically when they emerge in the processes and sub processes assessed, and only then are all the risk types classified.</p> <p>Reputational risk is one of the risks in the classification. Mr K. BOUNYAR complemented that the approach per Risk type is presented in the Risk Metrics reports. The Steering Committee members were satisfied with this approach.</p>
		Decision and votes : <p>n/a</p>
		Action points : <p>n/a</p>
ITEM 9 EURIBOR OVERSIGHT		Discussion Points : <p>Before presenting the Benchmark Operations Overview and Back-Testing Highlights, Mr D. COWEN informed the members that the content of these reports</p>

	<p>would have to be slightly modified during the phased implementation period of the hybrid methodology, in order to prohibit the possible identification of individual banks that have already transitioned to the hybrid methodology. He also highlighted that with the clarification of the underlying interest and discontinuation of the publication of individual Panel Bank contribution rates, the confidentiality of this data will increase in the future.</p> <p>a) Benchmark Operations Overview:</p> <p>Mr. D. COWEN presented the overview of the quality of the EURIBOR rate-setting operations for the period February 2019 – April 2019. The number of banks submitting their rates via the web service channel instead of manual contribution thorough the online user interface increased slightly from previous reports as a couple of banks moved from the manual input to web service with the go live of the EBASS platform.</p> <p>b) Back-Testing Highlights:</p> <p>Mr. D. COWEN presented the highlights of the EURIBOR back-testing report for April 2019. Apart from one routine follow-up action performed with a Panel Bank since the last meeting, there was nothing unusual to report.</p>
	<p>Decisions and votes:</p> <p>n/a</p>
	<p>Action points:</p> <p>n/a</p>
<p>ITEM 10 EONIA OVERSIGHT</p>	<p>Discussion Points:</p> <p>Mr. V. TSONCHEV (ECB) presented the EONIA Contribution Process Quality Report for March and April 2019.</p> <p>In March, EONIA was always published on time and calculated according to the input received. There was one case of late contribution and three cases of multiple contributions.</p> <p>In April, EONIA was always published on time and calculated according to the input received. There was four cases of multiple contributions.</p>
	<p>Decisions and votes:</p> <p>n/a</p>
	<p>Action points:</p> <p>n/a</p>
<p>ITEM 11 COMPOSITION OF EURIBOR/EONIA PANELS</p>	<p>Discussion Points :</p> <p>There had been no change in the composition of the EURIBOR and the EONIA panels.</p>

	<p>Members asked about the general criteria to qualify on the panel. It was confirmed that Panel Banks should be active participants in the euro money markets, but can be banks based outside the Eurozone, i.e. there is no specific preference given to Eurozone banks.</p>
	<p>Decision and votes : n/a</p>
	<p>Action points : n/a</p>
<p>ITEM 12 ANY OTHER BUSINESS</p>	<p>Discussion Points : The next meeting is scheduled on 24 June at EMMI’s premises.</p>
	<p>Decision and votes : n/a</p>
	<p>Action points : n/a</p>