



# Meeting minutes



The European  
Money Markets  
Institute

**Public**  
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# Meeting minutes

Meeting title	86 <sup>th</sup> Oversight Committee Meeting
Date and time	24 <sup>th</sup> November 2021, 09.30-12.30 & 13.30-15.00
Location	Conference call

Attendees	<p><b>Members:</b></p> <p>A. COVIN (Chair); M. BRIZEE (from 11:00); Z. CHATZIMPEI; D. LE MASSON; T. MILLION; T. MIRONCZUK; M. VERHEIJEN J.C. CUEVAS</p> <p><b>The European Money Markets Institute:</b></p> <p>J. FELDKAMP (Head of Operations) P. DE DEYNE (Advisor for Strategic Development) C. BERGAMASCHI (Benchmarks Officer) A. DE LISIO (Head of Corporate Governance, Risk &amp; Compliance) A. GUZZARDI (Benchmark Officer Operations and Markets) A. FANEA (Senior Compliance Officer) I. STANIULYTE (Legal and Corporate Governance Officer) T. DUFRESNE (Senior Risk Officer)</p> <p><b>Guest:</b></p> <p>H. KAPTEIJN (Member of the EMMI Board of Directors; observer)</p>
Excused	L. VLAMINCK, J-L. SCHIRMAN (EMMI CEO)
Quorum	8 voting members



# Agenda item

<b>Welcome</b>	<p>The Chair Mr A. COVIN welcomed the Members to the 86th Oversight Committee meeting. The meeting was held by conference call due to the COVID-19 situation.</p> <p>The Chair also welcomed Ms KAPTEIJN, Member of EMMI's Board of Directors as observer for this meeting.</p>
<b>Item 1</b> <b>Conflict of interest</b>	<p><b>Discussion points:</b></p> <p>The Chair reminded everyone that Members of the Oversight 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 of relevant decision making in the event a conflict of interest situation might arise.</p> <p>The members had no conflicts of interest to declare.</p>
<b>Item 2</b> <b>Declaration of interest</b>	<p><b>Discussion points:</b></p> <p>Members of the Oversight Committee agreed to organise a training on conflict of interest in the next Oversight Committee's meeting in January 2022.</p> <p><b>Action points:</b></p> <p>To organise a training on conflict of interest for the Members of the Oversight Committee in the next meeting in January 2022.</p>
<b>Item 3</b> <b>Minutes of the previous meeting</b>	<p><b>Discussion points:</b></p> <p>The Members reviewed the minutes of the previous meeting of the Oversight Committee that took place on the 7<sup>th</sup> of September 2021.</p> <p><b>Decision and votes:</b></p> <p>The minutes of the previous meeting were approved unanimously.</p>
<b>Item 4</b> <b>Regulatory update</b>	<p><b>Discussion points:</b></p> <p>Ms A. DE LISIO provided the Members with an update on the latest regulatory and supervisory topics:</p> <ul style="list-style-type: none"> <li>• Regular exchanges with the Belgian FSMA and ESMA. EMMI is preparing a response to ESMA's guidelines on cloud outsourcing;</li> <li>• ESMA report on clearing and derivatives obligations;</li> <li>• Financial Conduct Authority's consultation paper on the proposed decisions on the use of LIBOR;</li> <li>• Euro RFR Working Group held a meeting on the 29<sup>th</sup> of September;</li> <li>• Alternative Reference Rates Committee (ARRC) released a summary of its recommendations to date regarding spread-adjusted fallbacks for contracts referencing US and recommended that all market participants act now to slow their use of U.S. dollar (USD) LIBOR and leverage the next six weeks as a key window to reduce such activity to promote a smooth end to new LIBOR contracts by the end of the year;</li> </ul>



	<ul style="list-style-type: none"> <li>• Alternative Reference Rates Committee (ARRC) held the sixth event in its series "The SOFR Symposium: The Final Year" covering the transition away from LIBOR to the Secured Overnight Financing Rate (SOFR);</li> <li>• National Working Group on Swiss Franc Reference Rates (NWG) met on the 9<sup>th</sup> of November to discuss the progress of the LIBOR transition in Switzerland and relevant international developments.</li> </ul>
<b>Item 5</b> <b>EONIA Oversight Report</b>	<p><b>Discussion points:</b></p> <p>Mr A. GUZZARDI presented the EONIA Oversight Report for October 2021. In October 2021, EONIA was always published on time. Mr A. GUZZARDI noted that there were no incidents to report on EONIA.</p> <p>Mr J. FELDKAMP updated Members on the steps needed for EONIA discontinuation. EMMI informed all the stakeholders (e.g. vendors etc) about the cessation of EONIA. The last EONIA Oversight Report for December 2021 will be presented to the Oversight Committee in the first meeting in January.</p>
<b>Item 6</b> <b>EURIBOR Oversight Report</b>	<p><b>Discussion points:</b></p> <p>Mr A. GUZZARDI presented the EURIBOR Oversight Report for October 2021. In October 2021, EURIBOR was always published on time and according to the input data received. The report showed quantitative and qualitative indicators to monitor EURIBOR.</p>
<b>Item 7</b> <b>EURIBOR V3 project</b>	<p><b>Discussion points:</b></p> <p>Mr J. FELDKAMP updated Members on developments of the EURIBOR V3 project: the potential centralisation of the determination and the calculation of the Level 3 at the administrator.</p> <p>Two meetings of the Euribor v3 Working Group were held so far: an inaugural meeting took place on the 6<sup>th</sup> of July and the second meeting on the 7<sup>th</sup> of October. During the second meeting, Panel Banks' input/ideas have been discussed.</p> <p>EMMI is preparing a document with pros and cons of several potential approaches. This document will be presented to the Working Group at the next meeting which will take place on the 7<sup>th</sup> of December.</p>
<b>Item 8</b> <b>External audit on EMMI compliance with BMR</b>	<p><b>Discussion points:</b></p> <p>Ms A. FANEA presented the outcome of the external audit on EMMI compliance with BMR. This is the second external audit performed on EMMI in accordance with Art 7 of BMR. The external auditor verified the effectiveness of the controls put in place in EMMI in 2020. There are no findings and no recommendations to EMMI.</p>
<b>Item 9</b> <b>Risk assessment on cloud outsourcing and on GRSS</b>	<p><b>Discussion points:</b></p> <ul style="list-style-type: none"> <li>• Mr T. DUFRESNE presented the outcome on the risk assessment on cloud outsourcing.</li> <li>• Mr T. DUFRESNE presented the outcome on the risk assessment on GRSS outsourcing. GRSS, as Calculation Agent for EURIBOR, delivers critical benchmark administration services to EMMI.</li> <li>• Mr T. DUFRESNE presented the risk metrics and incident reports. EMMI has put in place some metrics to measure the exposure of its risk appetite. The report outlines the result of the first half of 2021.</li> </ul>



<b>Item 10</b> <b>Panel Banks</b> <b>Compliance Program</b>	<p><b>Discussion points:</b></p> <p>Ms C. BERGAMASCHI informed Members on the updates on the Panel Banks Compliance Program. The Panel Banks Compliance Program is an internal EMMI document. It addresses the compliance by Panel Bank submitting input data contributions to the EURIBOR with the Code of Obligations of Panel Banks. Members discussed the comments received in the document and agreed to approve it.</p> <p><b>Action points:</b></p> <p>The Panel Banks Compliance Program has been approved.</p>
<b>Item 11</b> <b>Panel Banks</b> <b>Application Procedure</b>	<p><b>Discussion points:</b></p> <p>Ms C. BERGAMASCHI presented the Panel Banks Application Procedure. The purpose of this Procedure is to lay out the process applicable to EMMI staff and the EURIBOR Oversight Committee whenever a credit institution wishes to become a Panel Bank for the Euribor benchmark. As per its terms of reference, the Euribor Oversight Committee, in its exercise to oversee all the aspects of the provision of the Euribor benchmark, defines the procedure for selecting Panel Banks and monitors the adequacy of the criteria to qualify for and remain in the Panel. Ms C. BERGAMASCHI listed all the roles and responsibilities of the parties involved in the application of a new Panel Bank.</p> <p>Members discussed about the voting system for the exclusion and the inclusion of a Panel Bank in the Panel. As stated in the Terms of Reference: 'exclusion or inclusion of a Panel bank can only be decided if two-thirds of the Members of the Oversight Committee are present or represented at the meeting, and this decision is approved by a qualified majority of two-thirds of the votes'. Some Members mentioned that these voting requirements were too weak and could lead to a decision that was only backed by a minority of the overall Oversight Committee. The voting system in the Terms of Reference should be changed. Members agreed to simplify the wording in 4.6 with the following: 'Assess and decide on individual applications. The exclusion and inclusion of a new Panel Bank is approved by a qualified majority of two-thirds of the Members of the Oversight Committee.'</p> <p><b>Action points:</b></p> <p>Panel Banks Application Procedure has been approved with some wording changes in reference 4.6 as stated above.</p>
<b>Item 12</b> <b>Criteria to qualify a</b> <b>Panel Bank</b>	<p><b>Discussion points:</b></p> <p>Ms C. BERGAMASCHI presented the criteria to qualify a Panel Bank. As a follow-up of the Oversight Committee's self-assessment which took place in 2021, Members have been invited to discuss the criteria for Panel Banks to qualify for and to stay on the panel. In the Term of Reference of the Oversight Committee it is stated that one of the duties of the Committee is 'To monitor the adequacy of the criteria to qualify for and stay on the panel, as defined in the Benchmark Determination Methodology (BDM), and propose, where necessary, changes to these criteria'.</p> <p>As for BDM, a bank may qualify for panel membership if it has the capacity to handle significant volumes in euro-interest rate related instruments, in particular in the money market. In assessing the levels of activity and expertise of a potential Panel Bank in the euro money markets, the following items could be considered: assets, loans up to one-year, short term securities, reverse repurchase agreements, liabilities, deposits up to one year, repurchase agreements.</p>



	<p>Members agreed that a quantitative threshold for the criteria is not opportune (because banks might change their business model, markets might change behaviour etc), however it would be interesting to run an exercise to take stock of the level of activities of the current Panel Banks to understand and compare the items described above on the relevant balance sheets. It is also important to analyse the international presence of each Panel Bank and the ranking within the specific country.</p> <p><b>Action points:</b></p> <p>EMMI to run an exercise to take stock of the level of activities of the current Panel Banks to analyse the items on the balance sheet.</p>
<b>Item 13</b> <b>Money Market Report Q3</b>	<p><b>Discussion points:</b></p> <p>Mr A. GUZZARDI presented the Money Market Report Q3. During the third quarter of 2021, euro money market rates, including EURIBOR rates and EONIA forward rates, continued to be driven by the ECB stimuli in answer to the continuous Covid-19 pandemic that heavily affected global money markets.</p> <p>EURIBOR fixings reflected the slightly pessimistic European economic recovery forecasts, while the liquidity abundance on the euro money market is persistent. Mr A. GUZZARDI gave some updates on the last ECB Governing Council decision which took place on the 28th of October. ECB declared that the inflation expectation was still subject to change and had brought some volatility in Euribor rates.</p> <p>During Q3, EURIBOR rates remained below the Deposit Facility Rate (-0.50%), except for the 12-month tenor which stayed marginally and periodically above it, with rates of -48.5 bps on the 1st of July 2021, and -48.8 bps on 30th of September 2021.</p> <p>EURO OIS rates on the other hand reflected expectations of an increase more than they did in the previous quarter.</p> <p>ESTR continued to produce stable volumes and even higher volumes than before the beginning of the current crisis with an average of 47.8 billion in Q3 2021, following the cash hoarding by non-financial corporations and money market funds that was deposited overnight at MMSR banks.</p>
<b>Item 14</b> <b>Composition of the Panel</b>	<p><b>Discussion points:</b></p> <p>It was confirmed that there were no changes to the composition of the EURIBOR Panel since the last meeting of the Oversight Committee.</p>
<b>Item 15</b> <b>Any Other Business</b>	

