

Minutes of the Meeting of the Working Group on Sterling Risk-Free Reference Rates
Wednesday 22 November 2016
Bank of England offices – Moorgate

Obligations under competition law

1 The Chairman reminded all members of the Group of their responsibilities in relation to compliance with competition law and the importance of taking their own independent competition law advice.

Minutes of previous meeting

2 The minutes of the previous meeting on 2 November were approved.

Chair's report on conversations with Group members

3 The Chair summarised recent bilateral discussions he had had with individual Group members, reflecting on the progress of the Group and the trajectory towards voting on a recommended RFR. It was clear that there was not a consensus as to a preference between an unsecured or a secured RFR at this point. Some members felt they already had sufficient information to proceed to a vote. However for others, further work on the feasibility or otherwise of an OIS transition – to move the OIS market from SONIA to a secured RFR – was required before a decision could be taken.

Agreement of candidate RFRs

4 The Group considered the set of candidate RFRs. It was agreed that there were three currently, or soon-to-be, available candidates: Bank of England reformed SONIA, as an unsecured RFR; ICAP sterling Repo Index Rate, as a secured RFR; or FTSE-Russell sterling SONET, as a secured RFR.

5 Some Group members felt that other candidate RFRs remained worthy of consideration. There was a brief discussion on the potential merits of an index which measured both secured and unsecured money market activity (a 'hybrid' rate). In addition, a few members of the Group queried whether the Bank would be willing to produce a secured rate, perhaps through a reform of the existing RONIA rate; the Bank re-stated its view that a credible secured RFR could be produced by the private sector, and it had no plans to produce a secured rate.

6 It was agreed that implementation of any other secured or hybrid rates would also require a transition of the sterling OIS market away from SONIA. The Group thought it most helpful to consider the choice between reformed SONIA and a generic 'secured RFR' in the first instance. A decision on which particular secured rate would be taken subsequently, if necessary.

Review of Initial Selection Criteria

7 The Group reviewed the previously-agreed initial selection criteria to ascertain whether any amendments or additions were required; some minor clarifications were proposed.¹

8 The Group also had a preliminary discussion of available candidate RFRs against the selection criteria. Overall, the Group felt that the majority of criteria were broadly met by the candidate RFRs,

¹ See <http://www.bankofengland.co.uk/markets/Documents/sterlingoperations/rfr/rfrselection.pdf> for more information.

although additional information would be needed in relation to a few of the criteria. Notable areas of discussion included:

- The potential future robustness of an RFR based on the secured market versus the unsecured market;
- Whether the more profound market change necessary for the introduction of a secured RFR could catalyse a more successful adoption process;
- That different types of market activity by end-users might be associated with different preferences and hence demand for an RFR (e.g. a secured rate might be preferred by users managing portfolios of gilts and accompanying repo exposures; whereas an unsecured rate might be preferred by users who manage portfolios of unsecured commercial lending); and
- It was noted that there was no strong reason to expect a medium-term forward bias in either direction between a secured and unsecured overnight rate.

Next steps

9 The Chair outlined his thoughts for the upcoming meetings and potential vote. One option was to ask the Group after the next meeting to vote on a firm choice for its recommended RFR and to then progress towards developing plans for transition and broader adoption. A second option would be for the Group to agree a less firm 'direction of travel' for their preference, which in turn could provide a foundation for end-user outreach on the choice and any required transition.

10 It was agreed that an additional meeting would be held for further discussion of candidate RFRs, before a vote could be held.

Post-meeting update

11 *Subsequent to the meeting the Chair notified the Group that he had decided to delay a vote on the recommended RFR until the New Year to allow for further advocacy and potential work on OIS transition*

12 *In addition Chris Salmon (Executive Director for Markets, Bank of England) had sent a letter to the Chair, copied to Group members, which was posted on the Group's web page.²*

² <http://www.bankofengland.co.uk/markets/Documents/sterlingoperations/rfr/2016/letter061216.pdf>

Private sector attendees

Nick Sagers	Bank of America-Merrill Lynch
Francois Jourdain	Barclays (Chairman)
Andreas Giannopoulos	Barclays (Chair's office)
Nicole Bijoux	Barclays (Chair's office)
Mike Manna	Barclays
Stephen Randall	Citigroup
Arif Merali	Credit Suisse
John Hilty	Deutsche Bank
Ryan Sbarra	Deutsche Bank
Michael Graham	Goldman Sachs
Christophe Rivoire	HSBC
Kari Hallgrimsson	JP Morgan
Christophe Coutte	Lloyds
Freddie Napier	Morgan Stanley
Guy Winkworth	Morgan Stanley
Mike Curtis	Nomura
David Bradley	Royal Bank of Scotland
Toby Stevenson	Royal Bank of Scotland
Alan Williams	Santander
Chirag Dave	UBS

Official sector attendees

Tim Taylor	Bank of England
Will Parry	Bank of England
Rob Harris	Bank of England
Sakshi Gupta	Bank of England
David Geen	Bank of England
Harriet Hunnablen	Financial Conduct Authority
Heather Pilley	Financial Conduct Authority
Devid Mazzonetto	Financial Conduct Authority