

Minutes of the Meeting of the Working Group on Sterling Risk-Free Reference Rates

Friday 22 January

Bank of England

Minutes of previous meeting

1 The minutes of the previous meeting on 15 December 2015 were approved.

Progress report

2 The Chair summarised members' assessment of progress made to date and the appropriate timing for a decision on the choice of RFR. The majority felt that a decision could be reached once detailed information on the methodologies, rates and volumes for reformed SONIA and the candidate secured RFR were made available. A minority thought that an independent, academic review would also be desirable. Another minority thought that a decision could be reached sooner on fundamental grounds.

3 A two stage RFR selection process was discussed and agreed – the Group would reach an initial decision but would carefully consider the responses to a broad public consultation before ratifying its choice.

4 Members discussed the merits of coordinating the RFR decision across jurisdictions in order to manage the potential impact on cross-currency basis markets. Feedback from end-user outreach meetings with Supranationals suggested that a consistent international approach would be important for multi-currency debt issuers. Members suggested that the international consensus developing around overnight benchmarks was helpful as it would eliminate tenor basis.

5 The Chair's office noted that they had reviewed the governance structures used by members for internal decision making related to the Group's work. They identified the following best practices: coordination with internal representatives on parallel RFR initiatives in other jurisdictions; regular internal dissemination of information to build institutional knowledge and ensure continuity of representation in the WG; and senior stakeholder (including legal and compliance) review of key inputs and voting decisions.

6 The Chair gave an update on progress made by the CHF Working Group.

Potential secured benchmark providers

7 Whilst the WG is yet to receive formal responses to its published secured benchmark design criteria, exploratory discussions suggest that there is interest from a number of potential administrators. ICAP and EUI continue to make progress with their existing plans. Conversations with providers are ongoing and some potential administrators may be in position to present to the Working Group in Q1.

Update on Bank's SONIA project

8 The Bank provided an update on the reform of SONIA. Data definitions and reporting requirements had been published in November. All reporting institutions had completed an annual survey of their sterling money market activity, which would be used to inform the sample of daily reporters.

9 The Bank would begin receiving data from 'early adopters' in the current quarter, with the full sample reporting on a daily basis from July. The Bank planned to set out its plans for the reform of SONIA in a

public consultation in summer 2016. This would provide an indication of the properties of the reformed benchmark. Subject to that consultation, the Bank anticipated transitioning to reformed SONIA from Q2 2017.

Euro benchmark reform

10 Representatives from European Money Markets Institute (EMMI) provided an update on euro benchmark reform, covering EURIBOR, EONIA and a new transaction based repo index (to replace EUREPO which was discontinued in January 2015). The update covered information available in EMMI's public consultation documents on EURIBOR reform and on the proposed pan-European repo benchmark published by EMMI.

Future work

11 Members noted that a decision regarding the choice of sterling RFR needed to consider both current and potential future market conditions which could impact the robustness of the selected benchmark. Whilst the contract robustness work stream will consider appropriate fall-back provisions in the event of benchmark discontinuation, members agreed that these contractual terms should only be invoked in unforeseen circumstances.

12 The Group members agreed to consider, with their firms, the prospects for the evolution of the sterling financial markets with the aim of forming a view of the likely future robustness of secured and unsecured candidate RFRs. To provide focus for this, they were asked to provide to the Chair's office a response to the following question in advance of the next Group meeting:

Please identify and estimate the impact of known or anticipated drivers of change in the structure of sterling financial markets which could impact the robustness of secured and unsecured overnight benchmarks over a 5-year horizon. These factors could include regulatory, economic or business model variables. In particular, factors which could impact overall volumes, breadth of institutional participation, the dispersion of transactional rates, and administrators' access to data should be assessed.

13 The Chair noted that, to date, outreach had targeted end-users where transition might be most problematic. Members agreed to conduct further work on Libor transition planning, in particular through outreach to likely first movers who could help to catalyse a broader transition.

14 The Chair encouraged members to syndicate the proposed SONIA OIS 'big bang' transition approach with stakeholders, including regulators, who may be directly affected by a vote for a secured RFR.

Private sector attendees

Nick Saggars	Bank of America-Merrill Lynch
Francois Jourdain	Barclays (Chairman)
Andreas Giannopoulos	Barclays (Chair's office)
Tejonidhi Kashyap	Barclays (Chair's office)
Nick Hallett	Barclays
Bruno Chauviere	BNP Paribas
Alain Verdickt	Citigroup
Arif Merali	Credit Suisse
Adrian Munday	Deutsche Bank
John Hilty	Deutsche Bank
Nikhil Choraria	Goldman Sachs
Michael Graham	Goldman Sachs
Christophe Rivoire	HSBC
Glenn Handley	HSBC
Charles Bristow	JP Morgan
Christophe Coutte	Lloyds
Freddie Napier	Morgan Stanley
David Bradley	Royal Bank of Scotland
Toby Stevenson	Royal Bank of Scotland
Paul Barnes	Santander UK
Stephane Cuny	Société Générale
Chirag Dave	UBS
Paul Canty	UBS
David Geen	ISDA (Observer only)
Philip Whitehurst	LCH.Clearnet (Observer only)
Mirko Guth	EMMI
Alberto Lopez	EMMI

Official sector attendees

Ed Ocampo	Bank of England
Tim Taylor	Bank of England
Renée Horrell	Bank of England
Ben Morley	Bank of England
Neel Acharya	Bank of England
Carlos Molinas	Financial Conduct Authority
Devid Mazzonetto	Financial Conduct Authority
Heather Pilley	Financial Conduct Authority