

Minutes of the Meeting of the Working Group on Sterling Risk-Free Reference Rates
Tuesday 1 March
Bank of England

Minutes of previous meeting

1 The minutes of the previous meeting on 22 January 2016 were approved.

Update on potential secured benchmark providers

2 A number of potential secured rate providers had expressed interest in presenting their proposals to the Working Group, following the publication in December of 'Design criteria for a secured overnight money market benchmark'. The secured sub-group will arrange meetings to understand more about their proposals.

Update on Bank's new money market data collection

3 The Bank provided an update on its new money market data collection. The key points of the inaugural SMMA (Sterling Money Market Annual) data collection had been published in the H2 2015 Money Market Liaison Committee Sterling Money Markets Survey.¹

4 The SMMA return had covered all UK incorporated Banks and Building Societies, other firms able to accept sterling deposits through a UK branch, and PRA-designated investment firms. This totalled 351 individual legal entities. The sample period was November 2015 – future SMMA returns will cover a full calendar year.

5 The headline activity figures from the SMMA data showed a daily average £45 billion unsecured deposits at maturities up to one year, of which £40 billion was overnight. The secured figures showed a daily average of £102 billion of repo at maturities up to one year, of which £73 billion was overnight.

6 The Bank noted that its policy for determining the reporting population for the daily SMMD form was to require the most active banks to report, up to the number required to achieve coverage of 95% of total activity (as reported in the SMMA). The data collected via SMMD included data on unsecured deposits which would underpin the reformed SONIA reference rate.

Future robustness of overnight benchmarks

7 The Group discussed the feedback received from members in response to the question, posed at the previous meeting, on the factors which could impact the robustness of secured and unsecured overnight benchmarks over the medium term. A wide range of regulatory, economic, and business model factors would interact to shape sterling financial markets in future.

8 The Chair suggested that a constructive follow up would be for the Group to consider whether there were any actions the official sector could consider to support activity in money markets, thereby strengthening actual or prospective benchmarks referencing those markets. It was agreed that the unsecured and secured sub-groups would reconvene to take this work forward.

Workstream on Libor Transition

¹ <http://www.bankofengland.co.uk/publications/Documents/other/markets/mmlc/smms2015h2.pdf>

9 The Group noted that the work stream on the transition of the OIS market to a new RFR (if secured is chosen) had made significant progress. However, less progress had been made on plans to transition Libor-based contracts to the new RFR. As such, the group agreed that the near-term work plan should prioritise further work on issues relating to Libor transition.

10 Group members reiterated that a transition away from Libor to the new RFR would be gradual and voluntary, and that the presumption was that it would only proceed once the RFR was established in the OIS market.

11 It was agreed that a Libor transition work stream would consider market initiatives which could facilitate and encourage voluntary transition of the sterling IRS market to reference the new RFR where appropriate.

Next meeting

12 Given the work programme, it was agreed the next meeting would be in around six weeks' time.

Private sector attendees

Nick Sagers	Bank of America-Merrill Lynch
Francois Jourdain	Barclays (Chairman)
Andreas Giannopoulos	Barclays (Chair's office)
Tejonidhi Kashyap	Barclays (Chair's office)
Mike Manna	Barclays
Bruno Chauviere	BNP Paribas
Alain Verdickt	Citigroup
Stephen Randall	Citigroup
Arif Merali	Credit Suisse
Adrian Munday	Deutsche Bank
Michael Graham	Goldman Sachs
Glenn Handley	HSBC
Charles Bristow	JP Morgan
Christophe Coutte	Lloyds
Ciaran O'Flynn	Morgan Stanley
Freddie Napier	Morgan Stanley
Mike Curtis	Nomura
Simon Wilson	Royal Bank of Scotland
Toby Stevenson	Royal Bank of Scotland
David Bradley	Royal Bank of Scotland
Richard Tipper	Société Générale
Chirag Dave	UBS
Paul Allan	ISDA (Observer only)
Philip Whitehurst	LCH.Clearnet (Observer only)

Official sector attendees

Ed Ocampo	Bank of England
Tim Taylor	Bank of England
Will Parry	Bank of England
Rob Harris	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