

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

Tuesday 22 June 2017

Barclays' offices – Canary Wharf

Obligations under competition law

1 The Chair 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 22 May were approved.

Update from interest rate infrastructure sub-group

3 The sub-group leads outlined progress so far. Discussion had focused on the most appropriate design of a futures contract referencing SONIA, with the most important issues being: the term of the future; whether a simple or a compound interest calculation is used; whether settlement involves physical delivery (for example of a swap) or is cash-settled; and the most appropriate rollover dates. The sub-group highlighted that any futures contract should be designed with a broad spectrum of users in mind.

4 The sub-group viewed the existing design of SONIA Overnight Index Swaps as appropriate.

Update on forthcoming RFR conference

5 The Chair's office and the Bank provided a brief update on the forthcoming conference. Group members were thanked for helping to identify invitees.

Review of Group's White Paper

6 The Group discussed a draft of their White Paper, which explained why the Group had recommended SONIA as the sterling RFR and outlined some early thoughts on the adoption of SONIA as an alternative to sterling Libor. It was agreed that the first key objective of the Paper was to ensure that the Group's choice of RFR benefits from the support of the wider community of users of sterling interest rate benchmarks. The second key objective was to actively seek detailed feedback on issues related to the adoption of SONIA across financial markets.

7 The Group discussed whether a term extension for the RFR would be required to encourage adoption. Many members felt that the existing OIS structure – where interest payments are made at the end of the period, based on the compounded daily SONIA outturns – was preferred for most purposes. It was agreed that the Group's preference should be stated in the White Paper, but that specific feedback should be sought.

FCA consultation: "Powers in relation to LIBOR contributions"

8 The FCA provided to the Group an overview of their recently published consultation, "Powers in relation to Libor contributions."¹ The consultation describes the FCA's proposed approach to its domestic

¹ See www.fca.org.uk/publication/consultation/cp17-15.pdf

powers and the proposal to align them to the EU Benchmarks Regulation (BMR) in advance of the designation of LIBOR as a critical benchmark, which is expected by the end of 2017.

9 In parallel, the FCA is also gathering data from around 50 banks in order to understand the relevant markets better. This information will be used to design a methodology to select those which could be required to contribute to Libor should it be needed. It was noted that in order to use these powers under the BMR, the timing for data collection would be much tighter. This contingency exercise follows the publication by ESMA of their methodology framework, published on 2 June 2017.²

10 The FCA emphasised that it did not expect to use these powers but must be ready to do so.

11 Finally, the FCA introduced a further consultation due to be published later in June which will describe the proposals for ensuring that FCA Handbook is consistent with the directly-applicable BMR, most of which will apply from 1 January 2018.

Working Group structure

12 The Chair noted that the shift in the focus of the Group's work towards SONIA adoption might require some organisational changes. The objective was to broaden engagement in the process. One possibility was for the Group to continue, but with the support of a number of new, thematic sub-groups comprised of Group member firms and other relevant stakeholders. The Group agreed with the proposal. Ideas for areas of focus for relevant sub-group and proposed membership would be developed following the RFR conference.

² See www.esma.europa.eu/press-news/esma-news/esma-publishes-framework-mandatory-benchmarks-contributions

Private sector attendees

Nick Siggers	BAML
Francois Jourdain	Barclays (Chair)
Tejonidhi Kashyap	Barclays (Chair's office)
Andreas Giannopoulos	Barclays (Chair's office)
Jon Desler	Barclays
Frederic Maquet	BNP Paribas
Stephen Randall	Citigroup
Arif Merali	Credit Suisse
Chris Cohen	Deutsche Bank
Michael Graham	Goldman Sachs
Christophe Rivoire	HSBC
Kari Hallgrimsson	JP Morgan
Steve Bullock	Lloyds
Freddie Napier	Morgan Stanley
Mike Curtis	Nomura
Mark Thommason	RBS
Paul Barnes	Santander
Phil Whitehurst	LCH Ltd (Observer)
Rick Sandilands	ISDA (Observer)

Official sector attendees

Will Parry	Bank of England
Tim Taylor	Bank of England
Ed Ocampo	Bank of England
Rob Harris	Bank of England
Renée Horrell	Bank of England
Sakshi Gupta	Bank of England
David Geen	Bank of England
Harriet Hunnoble	Financial Conduct Authority
Devid Mazzonetto	Financial Conduct Authority