Minutes of the Meeting of the Working Group on Sterling Risk-Free Reference Rates
Tuesday 28 March 2017
Bank of England offices – Moorgate

Obligations under competition law

1 The acting 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.

Update from a secured benchmark provider

2 Nex (formerly ICAP Information Services), the administrator of the Sterling Repo Index Rate (£RIR), updated the Group the rate's characteristics.[1] Nex had been publishing £RIR daily for around a year, with historic data available back to 2006. The benchmark is calculated from trades executed on the BrokerTec electronic platform. Average daily volumes underlying the rate in Q1 2017 had been £24 billion, 60% higher than the same period in 2016. It was noted that at year-end, the volume underlying £RIR was £10billion, with the rate published at -0.539%.

3 The Group raised questions regarding the policies in place to ensure robust processes for producing the benchmark in all market conditions, in line with best practice for benchmark administration. Nex explained that the daily process had been running smoothly from day one including the appropriate governance and control functions. Nex is currently investigating reinforcing the governance to be in line with the forthcoming European Benchmark Regulations.

Feedback from OIS transition workstream

4 A sub-group of the Group summarised feedback received from recent meetings with pension funds and insurance companies. These sectors were targeted as significant users of long-dated sterling swaps who could help catalyse adoption of OIS. Although originally set up to discuss how a potential OIS transition to a secured reference rate might be affected, the meetings had focused more on the adoption of the RFR as an alternative to Libor.

5 The feedback was largely consistent with the Group's initial end-user outreach conducted in mid-2015. Liquidity of swap markets referencing the RFR, and the absolute level of the RFR swap curve (used for discounting liabilities) were generally considered at least as relevant as the choice between secured and unsecured rates. Alignment of the RFR curve with the prescribed discount curve was perceived as a critical to encouraging transition to the new rate. Under Solvency II, liability discount curves for insurers are set by EIOPA and are Libor based for GBP liabilities.

6 Furthermore, some bank treasuries had provided feedback on OIS transition to the Chair's office; once further feedback was received, it would be summarised and shared with the Group.

7 There was some discussion on how adoption of the RFR could be incentivised, whilst LIBOR remained available. The Bank restated that the adoption of the RFR in preference to sterling Libor should be a market-driven process. Transitioning legacy contracts from referencing Libor and to referencing

[1] www.nexdata.com/media/1156/rir-factsheet-mar-2017.pdf

appropriate the RFR through open market trades at prevailing market rates was agreed to be a desirable mechanism and was to be encouraged. This was viewed as most likely to lead to the fairest and most effective outcome for a broad range of market participants. Overall, the Group therefore agreed that for Libor transition, end-user outreach and ongoing stakeholder management would be crucial to ensure success.

8 The Group discussed the implications of the end-user outreach on their views of the feasibility of an OIS transition. It was agreed that the outreach had not materially changed the OIS transition plan which had been presented at the 22 November 2016 Group meeting.

9 Furthermore, the Group discussed the implications of the further work on their view of the preferred RFR. Some members argued in favour of a secured rate, pointing to the fact that gilt repo is the relevant market that OTC derivatives users would need to access in order to source cash for collateral postings. Whilst accepting that some users relied on gilt repo funding, other participants disagreed with the contention that this potential funding basis should dictate the choice of RFR. They argued that the Group would also need to consider other factors, such as the stability of the selected rate (including over balance sheet reporting dates) and how well it would track Bank Rate. These discussions would be further developed at the subsequent meeting.

Plan for near-future meetings and RFR vote

10 The Chair outlined the intended plan for the upcoming meetings. The sub-groups for both unsecured and secured rates were preparing materials to be presented at the 7 April meeting advocating their respective candidates. This meeting would allow time for each member of the Group to feed into discussions of the merits of each candidate. Following this meeting, members would be asked to take necessary internal governance steps to confirm their firm's preferred candidate in preparation for a vote. The Chair's office and secretariat would propose the voting mechanics and how the outcome would be publicised ahead of the next meeting.

Private sector attendees

Nick Saggers	**BAML (Acting Chair)**
Andreas Giannopoulos	**Barclays (Chair's office)**
Tejonidhi Kashyap	**Barclays (Chair's office)**
Mike Manna	**Barclays**
Adrian Averre	**BNP Paribas**
Alain Verdickt	**Citigroup**
Stephen Randall	**Citigroup**
Arif Merali	**Credit Suisse**
Matt Eaton	**Deutsche Bank**
Nikhil Choraria	**Goldman Sachs**
Michael Graham	**Goldman Sachs**
Glenn Handley	**HSBC**
Kari Hallgrimsson	**JP Morgan**
Steve Bullock	**Lloyds**
Freddie Napier	**Morgan Stanley**
Guy Winkworth	**Morgan Stanley**
Mike Curtis	**Nomura**
Toby Stevenson	**RBS**
Alan Williams	**Santander**
Stephane Cuny	**Société Générale**
Hannah Rutledge	**UBS**
Chirag Dave	**UBS**
Phil Whitehurst	**LCH ltd (Observer)**
Catherine Farrer	**ISDA (Observer)**
Rick Sandilands	**ISDA (Observer)**
Dermot Doherty	**Nex (Guest, only for their presentation)**
Jan de Smedt	**Nex (Guest, only for their presentation)**

Official sector attendees

Will Parry	**Bank of England**
Ed Ocampo	**Bank of England**
Renée Horrell	**Bank of England**
Sakshi Gupta	**Bank of England**
David Geen	**Bank of England**
Harriet Hunnable	**Financial Conduct Authority**
Devid Mazzonetto	**Financial Conduct Authority**