

Minutes of the Working Group on Sterling Risk-Free Reference Rates
Wednesday 20th March 2019
Bank of England, Threadneedle Street, London EC2R 8AH

Agenda

1. Welcome & introductions
2. Competition law reminder
3. Minutes of previous meeting
4. Transition roadmap and revised work structure
5. Mobilisation of Task Forces
6. International coordination
7. Communications & outreach
8. Update from sub-groups
9. AOB

Welcome, Competition Law Reminder and Previous Meeting's Minutes

1. The Chair welcomed attendees, and reminded them of their competition law responsibilities and the importance of taking their own independent advice from the legal and/or compliance teams at their respective institutions.
2. The Working Group members approved the minutes of the previous meeting.

Transition roadmap and revised work structure

3. The Chair announced that there was a plan for the Working Group, Bank of England, and Financial Conduct Authority to coordinate a public event on RFR transition. Materials from the project plan introduced at the last Working Group meeting, such as the high level roadmap, were expected to serve as a basis for relevant documentation to support this event. It would seek to reach the broader public but could also include technical breakout sessions. The public event was expected to build on the momentum of the FSB Benchmarks event in the US during April.
4. The Chair thanked the Working Group for providing comments to the RFR Secretariat on the project plan. The feedback and challenge from Working Group members was positive and demonstrated that they were aligned with the goal of establishing a project plan that was, credible, considered, and operable.
5. The high level roadmap had been updated to include a preamble that better reflected progress to date in establishing SONIA-linked markets. The roadmap now also recognised where the Working Group were directly in control of some deliverables, and where items should be targeted through wider market engagement. The international elements of work would have to be progressed through broader engagement with working groups in other jurisdictions. Working Group members discussed whether there should be more detail on the delivery by product and user; acknowledging this would not be necessary for the version to use at the public launch event.

6. The role of the Advisory Group (previously sometimes referred to as the 'senior sponsorship group') was expanded upon. The Advisory Group would meet less frequently than the Working Group. It would be expected to provide strategic direction and support to the Working Group to deliver transition. The Chair explained it would consist of senior level individuals who had responsibility for budgeting and deploying resource in their respective organisations. These individuals would be contacted after the Working Group meeting.
7. The revised governance structure on the Groups, Sub-Groups, and Task Forces was presented and agreed. The outreach to date through the forums had been positive and, going forward, was expected to be performed through communication initiatives such as webinars and discussion events. The Investment Association's valued work with the investment management industry was expected to continue outside of the governance structure of the Working Group.
8. Working Group members were asked to provide any remaining detailed comments for the preamble and high level roadmap to the RFR Secretariat.

Mobilisation of Task Forces

9. *Term Rate Task Force*: The chair stated that this Task Force had met and considered discussions on term rate by the working group on euro risk-free rates. It was thought there would be value in revisiting the conclusions of the 2018 Consultation Paper on Term Sonia Reference Rate.¹
10. The Working Group re-iterated its support for continuing to promote the development of a suitably robust forward looking SONIA term rate. The FCA stated there was interest from two credible Benchmark providers in developing a forward looking term rate and engage with the Working Group, which they saw as positive: FTSE Russell and the ICE Benchmark Administration.
11. The Working Group agreed that this Task Force should consider whether a further public statement building on the outcome of the 2018 Consultation Paper would be helpful in developing a credible forward looking term rate. Such a statement would need to set out the use cases, for example, in specific segments of the cash market, with the aim of catalysing the necessary support from market participants and infrastructure providers.
12. The Working Group re-iterated that compounded SONIA remained a suitable product more widely for end users and that it therefore intended to continue to promote it, in parallel to the work to develop a forward looking term rate for end users with the strongest use case. To ensure that market participants more widely did not wait for the development of a forward looking term rate, the Working Group agreed to set out the benefits for transitioning to compounded SONIA, building on its recent publication of the Discussion Paper on market conventions for referencing SONIA². This was also noted as an opportunity to align messaging internationally.

¹ For the Summary of Responses to the 2018 Consultation Paper on Term SONIA Reference Rates, please see: <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/term-sonia-reference-rates-consultation-summary-of-responses.pdf?la=en&hash=CFD2AB11A3156B31CB15030962ECA9987BEFCED8>.

² For the Discussion Paper on conventions for referencing SONIA in new contracts, please see: <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/discussion-paper-conventions-for-referencing-sonia-in-new-contracts.pdf?la=en&hash=DCC0FDB5766CA409CEB1471160207721BAE013BA>.

Please note: The chair of the Term Rate sub-group and subsequent Term Rate Task Force has since moved roles and so stepped down from the Working Group. The Working Group, the Bank and the FCA thanks him for his efforts and contribution to the transition work.

13. *Regulatory Dependencies Task Force:* The FCA announced that they would lead this Task Force, to identify and discuss the regulatory impediments to transition. A prioritised list of 'blockers' and possible solutions would be presented for further discussion at the next meeting of the Working Group. It was thought the final deliverable would potentially be a letter from the Working Group for the official sector to consider further. International themes would be raised with the relevant bodies, e.g. the sub-groups of the Financial Stability Board Official Sector Steering Group.
14. The chair suggested that there may be benefit in more representation from institutional investors and the buy-side in the Task Force and encouraged Working Group members meeting this criteria to get involved. The Working Group then reviewed the initial list of topics for the Task Force. Solvency II and legacy LIBOR instruments were added to the list.
15. *Accounting Treatments Task Force:* The Bank of England announced that the Working Group's letter to the International Accounting Standards Board had been sent.³ The letter would serve as a good basis going forward for the work of the Task Force, which is to be co-chaired by a representative from PricewaterhouseCoopers and the Working Group's Vice-Chair from Shell.
16. *Legal Task Force:* The Chair's office stated that this Task Force had met. It had developed selection criteria for identifying independent counsel, which considered the depth and breadth of experience as well as the ability to provide services on a pro bono basis. A shortlist of candidate firms and individuals had also been established. The Task Force would meet again to use the criteria and decide who to select.

International coordination

17. The FCA stated that the transitional period for critical benchmarks to become compliant with EU Benchmark Regulation (BMR) had been extended by 2 years until the end of 2021, in light of EONIA and EURIBOR transition. There was also an extension to authorities' compulsion powers under the BMR, enabling them to require panel banks to submit to, or administrators to provide, a critical benchmark for up five years.
18. The FCA's own position on LIBOR has not changed; it does not intend to compel panel banks to submit LIBOR beyond end-2021.

Communications & Outreach

19. The co-chairs of the Communications & Outreach sub-group stated that they were working to identify target users and products for RFR transition, and how they were impacted by the transition to alternative rates. The goal of this exercise would be to develop education tools, such as a guide to compounding SONIA. Other sub-group chairs would be asked to provide support when appropriate.

³ For the letter to the International Accounting Standards Board sent in March 2019, please see: <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/letter-to-international-accounting-standards-board.pdf>.

20. The sub-group was also working to develop a network for outreach. This would support the distribution of the Working Group's monthly newsletter as well as the ability to hold awareness events during 2019.

Updates from sub-groups

Pension Funds & Insurance Company sub-group

21. Transition work for insurance companies with EIOPA was discussed. It was agreed that it would be useful to combine efforts with the chair of the Regulatory Dependencies Task Force.

Bond market sub-group

22. The sub-group chair stated that new SONIA-linked securitisations had recently taken place. The publication of the Working Group's Discussion Paper on conventions for referencing SONIA had also opened dialogue with US counterparts to seek to unify RFR conventions internationally.

Private sector attendees

Tushar Morzaria	Barclays (Chair)
Andreas Giannopoulos	Barclays (Chair's office)
Paul Mansour	Barclays (Chair's office)
Robert de Roeck	Aberdeen Standard
Shaun Kennedy	Associated British Ports
Sarah Boyce	Association of Corporate Treasurers
Nick Sagers	Bank of America Merrill Lynch
Doug Laurie	Barclays
Jon Laycock	Barclays
Rob Mitchelson	Blackrock
Timothy Tomalin-Reeves	Citadel
Michael Barron	Deutsche Bank
Axel van Nederveen	European Bank for Reconstruction & Development
Chirag Dave	Goldman Sachs
Sander Slotema	HSBC
Daniele Forni	HSBC
Matthew Horton	ICE Group
Paul Richards	ICMA
David Jamieson	Insight Investment
Ross Barrett	Investment Association
Galina Dimitrova	Investment Association
Rick Sandilands	ISDA
Philip Whitehurst	LCH
Guy Whitby Smith	Legal & General Investment Management
Ian Fox	Lloyds Banking Group
Clare Dawson	Loan Market Association
Siobhan Clarke	M&G
David Covey	M&G Investments
Richard Merrett	Nationwide Building Society
Kieran Higgins	Royal Bank of Scotland

Official sector attendees

Alastair Hughes	Bank of England
Adeshini Naidoo	Bank of England
Jugvinder Singh	Bank of England
Stefania Spiga	Bank of England
Radhika Sood	Bank of England
Edwin Schooling Latter	Financial Conduct Authority
Richard Fox	Financial Conduct Authority
Harriet Hunnable	Financial Conduct Authority
April Richardson	Financial Conduct Authority