

## Concluding remarks

### First meeting of the Euro Risk Free Rate Working Group – Frankfurt

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I would like to thank the ECB for hosting today's event and providing me the opportunity to give the closing remarks. Firstly, I would like join previous speakers to stress the importance of the upcoming work of the working group and briefly explain why we focus on this issue as ESMA. Secondly, I would like to reflect on the discussions today and on the proposals that have been made.

On why benchmarks are important for ESMA: we know that benchmarks are playing a central role in the financial markets, in terms of pricing, in terms of performance evaluation and that they are also a very important building block of contracts. Our work on benchmark stability and integrity already goes back to 2013. It has been a long term issue on our agenda as a group of conduct supervisors and clearly the integrity and stability of the benchmark panels has been a very persistent concern.

On the one hand, this is a real financial stability concern, which puts it right in a core mandate of ESMA. It is therefore appropriate that today's meeting is held in the same room where the European Systemic Risk Board normally gets together to discuss stability issues in the EU. On the other hand, ESMA is concerned about the protection of investors and consumers when they enter into a contract relying on a benchmark. So clearly, these two perspectives are key for us.

In the European context, for benchmarks ESMA has primarily been a standard setter. We have given technical advice, we have issued technical standards, Q&As, and we also participate in the colleges of Euribor, EONIA and LIBOR. And, as briefly touched



upon today already, the planned review of the ESAs might result in a move of the task of supervising critical benchmarks to the European level.

In 2013, together with EBA, ESMA already published principles for the benchmark-setting process. Although we did not have a clear mandate in this area at that time, we saw a need to intervene. Hence we decided to issue these common principles more than five years ago. They were already influenced by IOSCO's parallel work on benchmark principles, and we are still working together in IOSCO on these issues today.

In that context the point was raised today: how do we make sure we are connected with the other parts of the world? While clearly the work of the Working Group will be done by the private sector, the public sector also continues to exchange views on benchmark issues in their international fora and, for example, only last Friday did we discuss the benchmarks topic at the IOSCO board for quite some time.

Let me then address a few other remarks that were made here today. First, it has been emphasised again that the task of this working group is clearly about the private sector, and that it is the private sector that needs to drive this work forward. Today's meeting rightly illustrates this point. This is not to say that there is not an important role for the public sector too. However, I have always emphasised that important interest rate benchmarks like Euribor and EONIA are innovations coming from the private sector, used extensively by the private sector, and the current problems with benchmarks primarily need to be solved by the private sector. Of course, we as public institutions will play our role, but a solution needs the support of the private sector. I would therefore like to thank again both Koos Timmermans for chairing the Working Group and José Manuel González Páramo for chairing the sub-group.

Another clear message coming out of today's discussions is the sense of urgency. While benchmarks are not making the headlines in the newspapers on a daily basis, the issues as we have been discussing them here today are a real cause of concern. It was good to see that we already have clear views on the processes to structure our work. However, it has also become clear that there is still a long way to go to achieve substantial results on, for example, the term structure and legacy contract problems. It is also important to



note, as rightly mentioned earlier, that we slightly changed the proposed structure of the work to ensure that we find common solutions across the whole market. The more we can get to a common solution, the better it is.

Furthermore, some important remarks were made on the relationship between the work of the working group on euro risk-free rates and the work currently conducted on Euribor and EONIA. We are all aware and recognise that the work that the working group on euro risk-free rates will undertake is very much related to Euribor and EONIA. However, the long term solutions that will be proposed need to be developed independently from Euribor and EONIA.

Finally, two more remarks before I conclude. First, there are clearly many commonalities with the work that is being done on IBORs and on stability of benchmarks in other parts of the world. However, there is one very specific issue that is very important in continental Europe, which is the connection with consumer issues, and in particular with mortgages. This connection bears a specific dimension and a specific legacy problem that needs to be solved. It is therefore very important that we take into account the fact Euribor is broadly used in consumer markets, and not only in derivatives markets, and that this creates problems of its own.

Second, and I repeat what has been said already: there will be no extension of the transitional period under the Benchmarks Regulation. Consequently, we need to conclude our tasks before 2020, or at least take into account that the transition period will end by the end of next year. We need to take the existing legal framework for benchmarks, the Benchmarks Regulation, as the departure point.

To conclude, the good news is, as we are sitting here together today, we truly have the right representation around the table. The high level of expertise and the wide range of institutions will be very beneficial to solve the issues at hand. Again also from my side, thank you to all of you for participating in this work and spending your valuable time and resources. We definitely need this to get this to a good end.

Thank you very much!