

Presentation for the Working Group on euro risk-free rates

Working Group euro RFR Meeting

Agenda

1. Subgroup 7 (SG7) activities: Actions/materials to be approved
2. WG Communication Pillars
3. WG communication pillars: Tools for spreading the words
 - Newsletter
 - Ambassador
4. SG7 – Work Streams: Update
 - WS 1 Eonia to €STR transition
 - WS 2 Euribor fallback
 - WS 3 Retail

1. Subgroup 7: Actions/materials approved

Purpose

SG7 to provide materials to be part of the initial communication toolkit for the elaboration of the communication plans. Documentation will be updated on a recurrent basis

Frequent Q&A document

- *Description:* includes frequent questions and answers related to main topics the Euro free risk rates Group has been working on.
- This document will be part of the *materials of the communication toolkit and would facilitate the handling of media and public enquiries*


Basic set of slides

- *Description:* institutional presentation on Euro free risk rates (set of standard slides) common for SG and WG members

EONIA to €STR Check list

- *Description:* guide of the steps to follow and the processes to be updated for EONIA €STR transition

Status: *Published in the WG website*



Communication toolkit

To enable a smooth transition, the working group on risk-free rates makes available communication material which interested parties can use in their own communication and education efforts. This communication toolkit currently consists of:

- > [Frequently asked questions](#)
- > [Standard set of slides \(as PDF and as PPTX file\)](#)
- > [Checklist](#)

1. Subgroup 7: Actions/materials work in progress



Purpose

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Compilation of key messages for SG 7

- *Description:* includes key messages on the euro benchmark reforms from all the SGs perspective to put forward in future common material and communication tools.
 - This document will be used as a *starting point for creating comms plans messages*

Status: *Work in progress, messages from SG chairs to be requested*

Next Steps

- Starting the newsletter publication
- To develop ambassadors framework once approved by the WG members

2. WG Communication Pillars (1/2)

OUR GOAL

- Support market participants regarding the transition based upon ECB WG recommendations
- Increase the visibility of the WG activities and the challenges of the reform for ensuring a smooth transition

APPROACH

- Increase WG euro RFR messages awareness, (Spread the Word) especially through communication efforts by individual members, WG ambassadors and bespoke communication channels, including ECB WG website

IMPLEMENTATION

- Define objectives and key messages to communicate
- Select target audience
- Define communication channels
- Identify a group of spokespeople in the WG euro RFR: Ambassadors leveraged by European and local institutions
- Identify quick-win materials

2. WG Communication Pillars (2/2)

- **Working group should boost the visibility of its recommendations**, and to inboard a variety of market players while discussing the reforms.
- **This is the time for communication**



3. WG Communication Pillar: Tools for spreading the words

Newsletter

- **Purpose:** provide updated information of the WG initiatives, recommendations and reports
- **Goal:** Increase visibility of WG related activities in order to ensure a smooth transition
- **Governance:** SG7 will coordinate the generation and publication of the newsletter. Contents will be signed off by the chairs of WG and its SGs. Each issuance will require final approval by the WG chair.
- **Frequency:** recurrent basis



Working Group on Euro Risk-Free Rate

Newsletter November 2019

This newsletter provides an update on the work of the Working Group on euro risk-free rate (henceforth WG) focused on communication and education (see [ToR of SG7](#)). This newsletter covers recent working group updates, publications and information on the launch of €STR. If you have questions about the content or would like to get involved in any of the events mentioned please contact EuroRFR@ecb.europa.eu.

Working group on euro risk-free rates updates

Recent updates

- On 25 September 2019 the ECB held the [second roundtable on euro risk-free rates](#). The roundtable provided updates on the transition from EONIA to €STR, and the challenges arising from this transition like establishing liquidity markets and the development of €STR-based term structure methodologies.
- The [WG met on 16 October](#) to discuss the updates of the different subgroups. Other topics included ISDA plans for a EURIBOR fallback consultation; EMIR margin requirements; and €STR fallback arrangements.
- The WG is currently looking at identifying fallbacks for EURIBOR based on €STR.
- In March 2019 the working group recommended a methodology based on (tradeable) OIS quotes for calculating a €STR-based forward-looking term structure and invited benchmark administrators to express their interest in producing such a term structure. EMMI, FTSE Russell, ICE BA Refinitiv and IHS Markit have expressed interest.

€STR – First days of official publication

The euro short-term rate (€STR) is published on each business day based on transactions conducted and settled on the previous business day. The ECB published the €STR for the first time on 2 October 2019, reflecting trading activity on 1 October 2019 with a fixing set at -0.549 percent. The ECB's calculation was based on 30 active banks and 430 transactions. The resulting EONIA was 50.464 percent (-0.549 percent +0.085 percent spread).

Working Group recent publications

- **July 2019** - [Recommendations of the working group on euro risk-free rates on the transition from EONIA to €STR](#)

Working Group on Euro Risk-Free Rate

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Market developments

- Eurex and LCH have announced that EUR discounting will switch from EONIA to €STR on 22 June 2020.
- On 01 October 2019, ISDA [published](#) Supplement 59 to the 2006 ISDA definitions which adds a compounded €STR floating rate option to the definitions.

Non-Euro RFR status

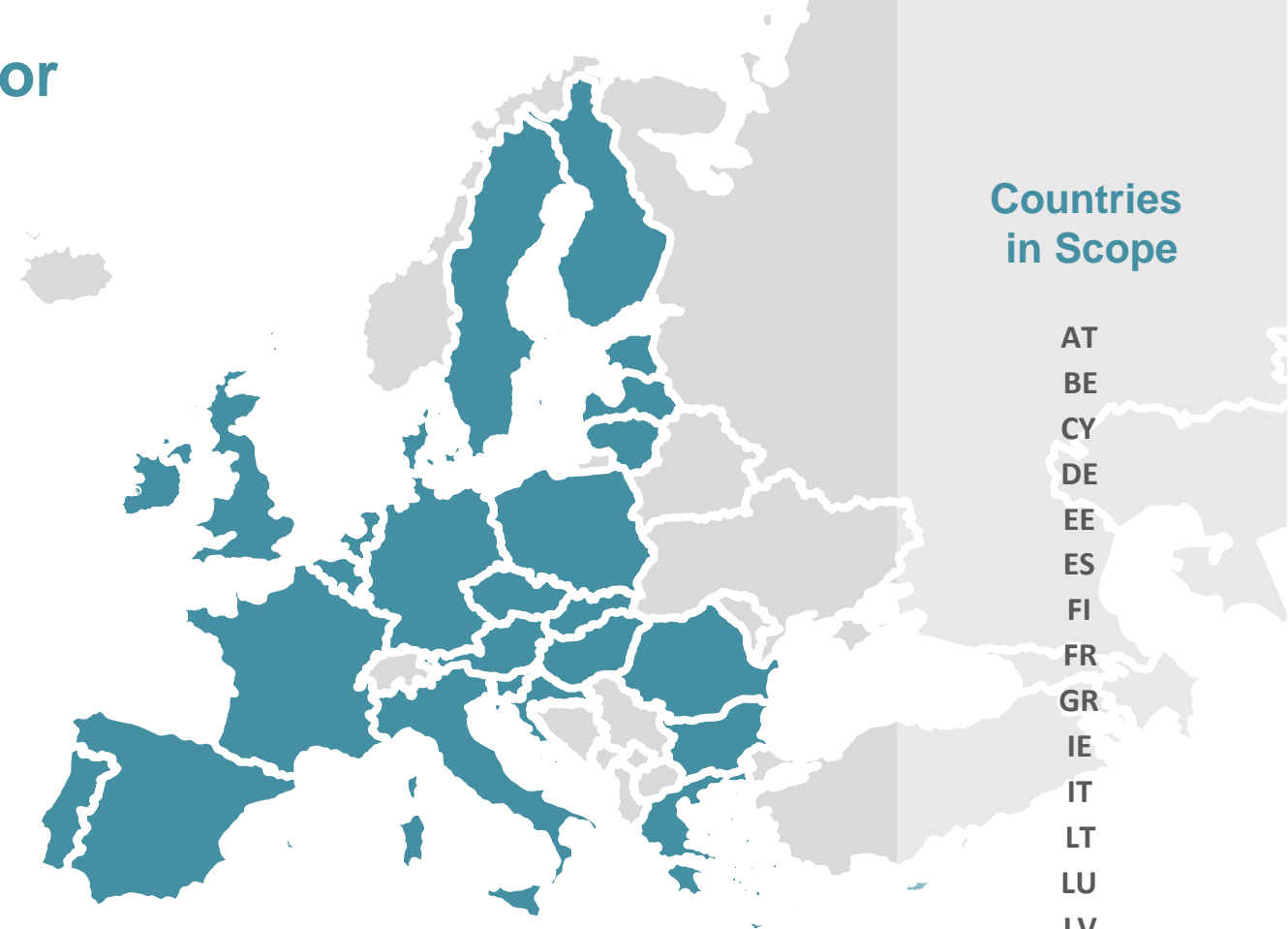
Working Group on Euro Risk-Free Rate

Newsletter November 2019

3. WG Communication Pillar: Tools for spreading the words

Ambassadors Framework

- **Concept:**
 - Group of spokespeople from within the WG implementing local communication efforts in the respective euro area country in liaison with local authorities and associations
- **Mandate:**
 - To approach, inform and educate market participants and improve the visibility of the working group through common communication tools
 - To inform local authorities and associations on WG activities, recommendations and reports and explain the need to communicate
 - To encourage local authorities and associations on benchmarks across each euro area countries to implement communication actions



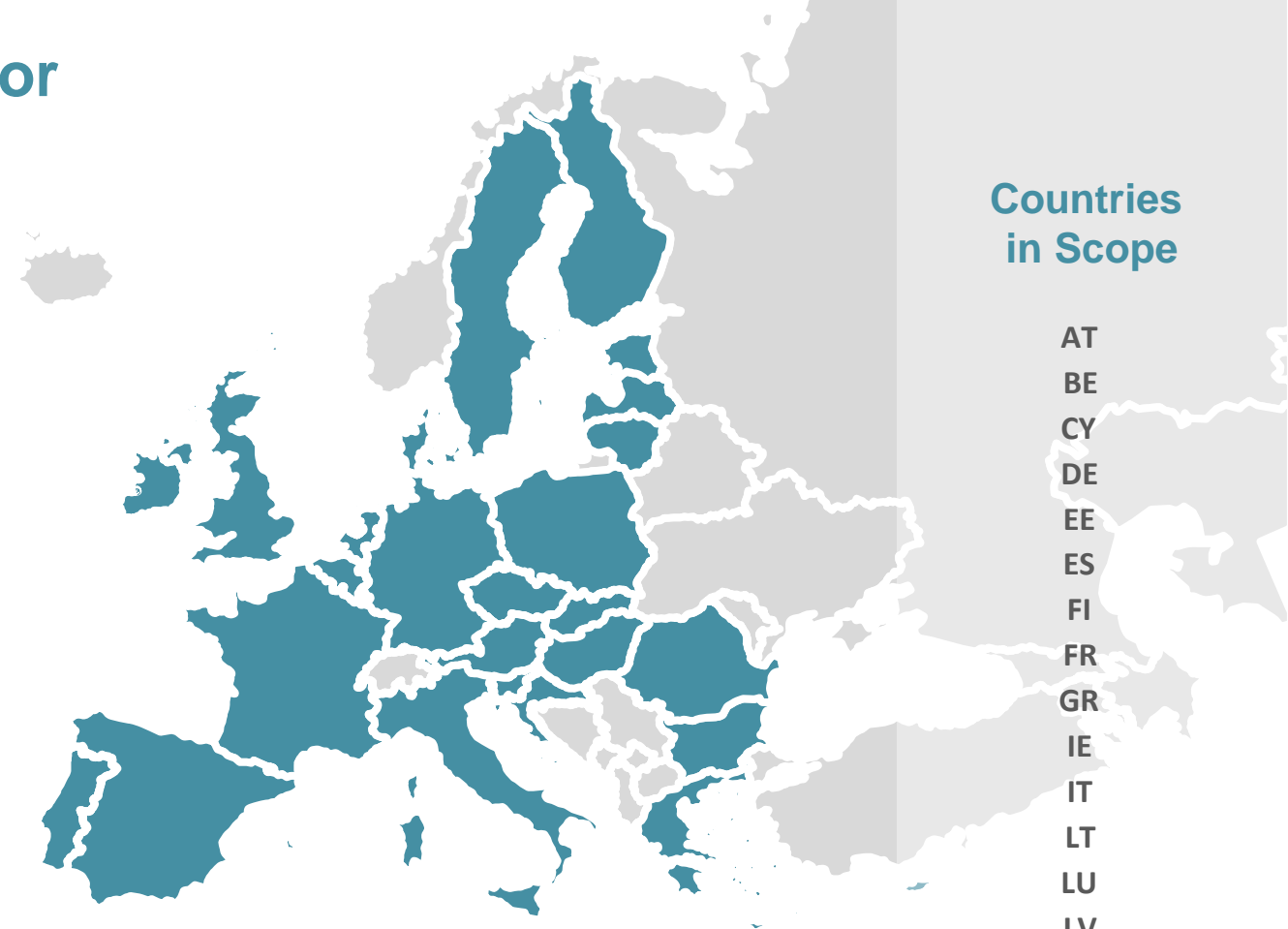
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3. WG Communication Pillar: Tools for spreading the words

Ambassadors Framework

- **Roles and responsibilities**
 - To promote WG activities at local awareness-raising events, preferably with support from local authorities and associations
 - To organize events at local level using WG materials and publications
 - To translate and adapt publications and information material published by the WG and SG
 - To participate in networking events for the WG Ambassadors
 - To assess local market participants' communication and education needs with regard to WG related issues
- **Materials: WG and SG7 materials**
 - WG Communication Toolkit.
 - Reports and recommendation published by WG
 - WG Newsletter



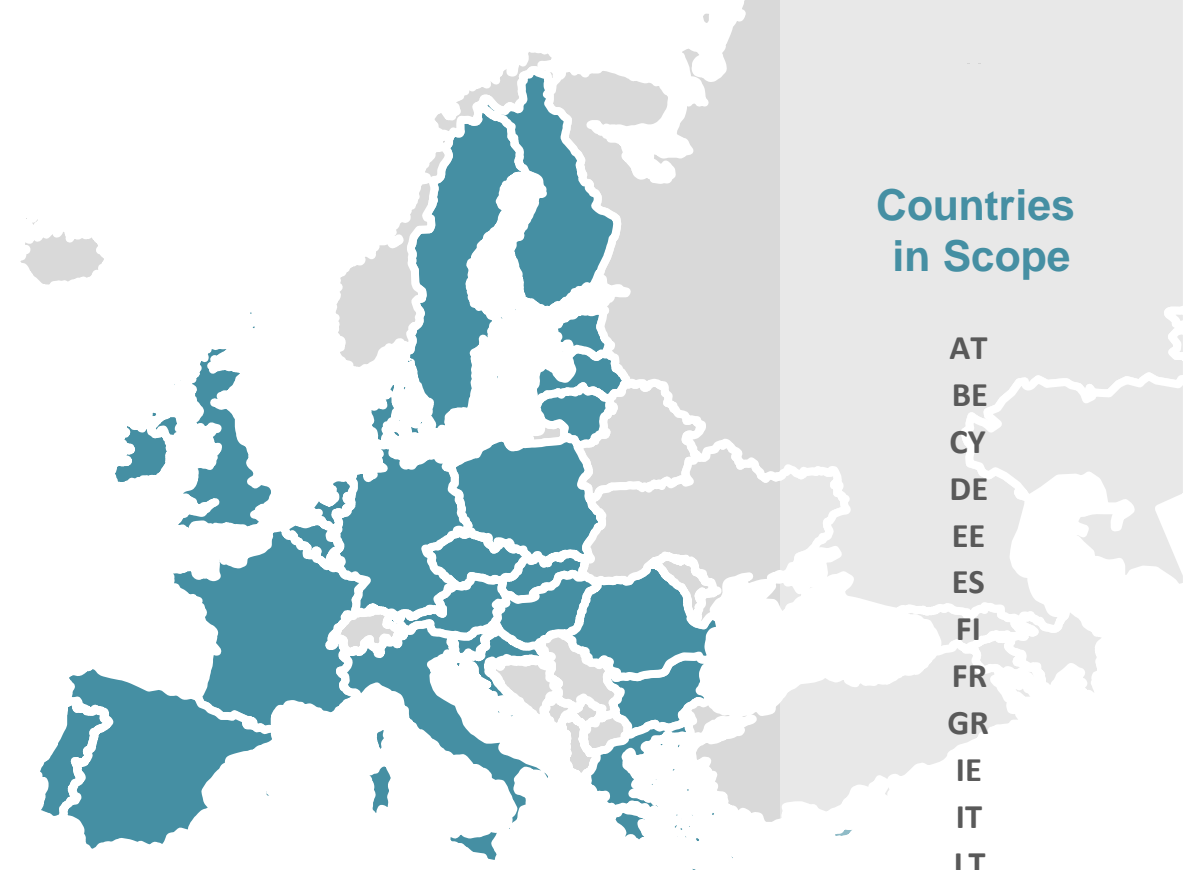
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3. WG Communication Pillar: Tools for spreading the words

Ambassadors Framework

- **Strategy Roll out plan**
 - Proposed distribution of the work based on:
 - (i) Domicile of the bank
 - (ii) Presence in country
 - WG chair will carry out coordination with European entities such as ESMA, EBA, ECB...
- **Governance:**
 - Ambassadors interaction would be supported by SG7
 - Ambassadors actions will need to be aligned with WG strategy
 - The assignment of the ambassadors should be based on as much as possible objective criteria (e.g. market share/presence).
 - Ambassador concept should get more into a “doing mode”.
 - SG7 & WG chair plan to hold a face-to-face meeting with all ambassadors aligning them and to give them a “to do list”.
 - When the ambassadors start spreading the words their activities should be followed/monitored and at certain check-points summarised to see where we are.



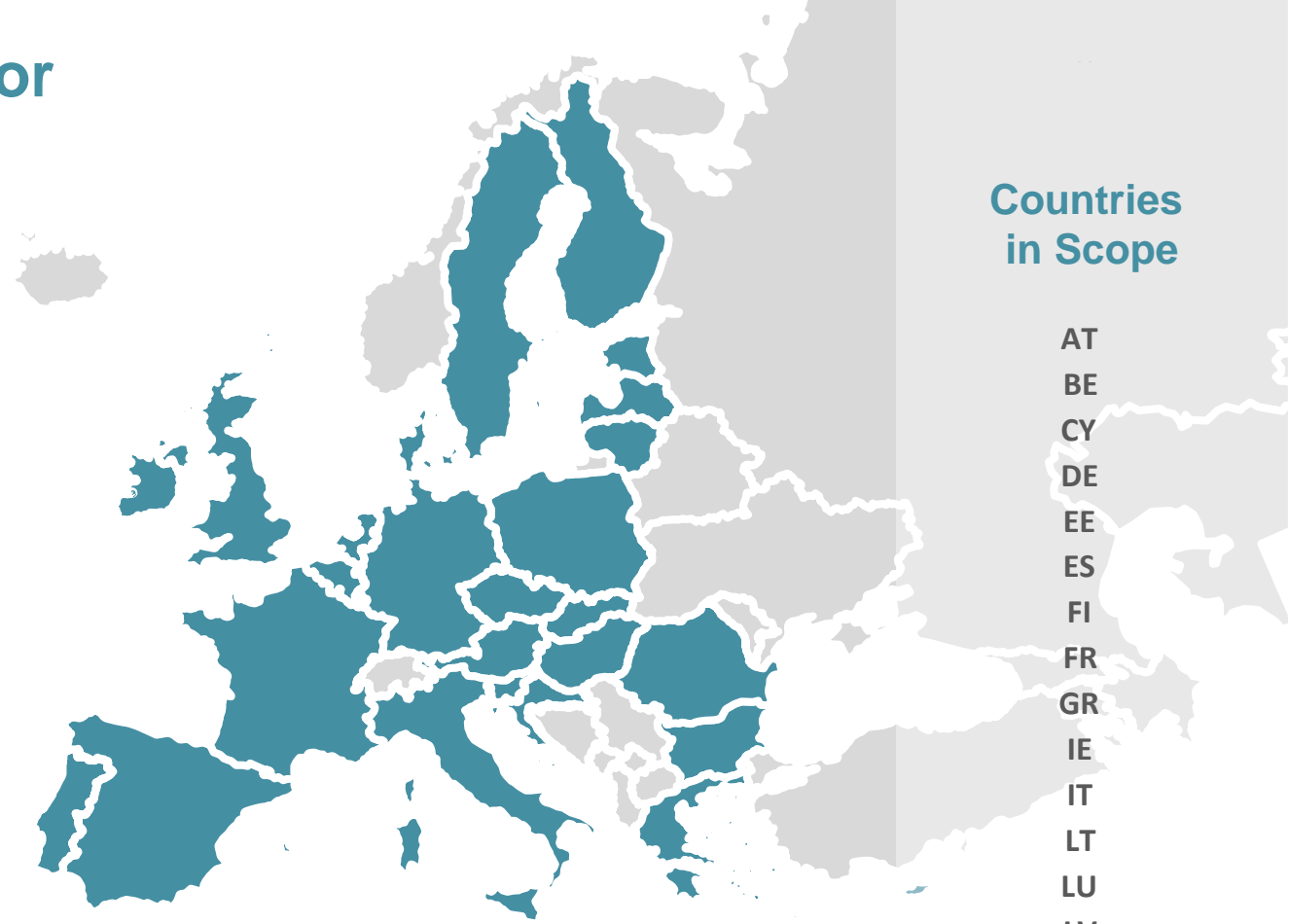
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3. WG Communication Pillar: Tools for spreading the words

Ambassadors Framework

- **Next steps**
 - Ambassador concept to be approved by WG on December 4th
 - Candidates applications by 13 December at the latest
 - Preliminary list of ambassadors to be released by December 19th
 - SG7 to prepare “to do list” based on the SG7-WS communication plans
 - Organize in-person meeting to brief ambassadors on purpose, share best practices and to give them a “to do list”

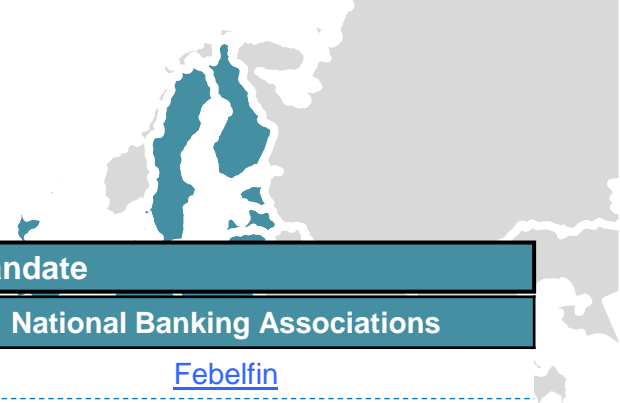


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3. WG Communication Pillar: Tools for spreading the words

Ambassadors candidates list



Country	Ambassadors proposal Banks ⁽¹⁾	Key stakeholders invited to support ambassadors mandate		
		National Competent Authority	National Central Bank	National Banking Associations
Belgium		Financial Services and Markets Authority	Banque Nationale de Belgique	Febelfin
Germany		Bundesanstalt für Finanzdienstleistungsaufsicht	Deutsche Bundesbank	Association of German Banks
Estonia		Finantsinspektsioon	Eesti Pank	Estonian Banking Association
Ireland		Central Bank of Ireland	Central Bank of Ireland	Banking & Payments Federation Ireland
Greece		Ελληνική Επιτροπή Κεφαλαιαγοράς	Bank of Greece	Hellenic Bank Association
Spain		Comisión Nacional del Mercado de Valores	Banco de España	Asociación Española de Banca
France		Autorité des Marchés Financiers	Banque de France	Fédération Bancaire Française
Italy		Commissione Nazionale per le Società e la Borsa	Banca d'Italia	Associazione Bancaria Italiana
Cyprus		Επιτροπή Κεφαλαιαγοράς Κύπρου	Central Bank of Cyprus	Association of Cyprus Banks
Latvia		Finanšu un kapitāla tirgus komisija	Latvijas Banka	Finance Latvia Association
Lithuania		Lietuvos Bankas	Lietuvos Bankas	Association of Lithuanian Banks
Luxembourg		Commission de Surveillance du Secteur Financier	Banque centrale du Luxembourg	Luxembourg Bankers' Association
Malta		Malta Financial Services Authority	Bank Ċentrali ta' Malta	Malta Bankers' Association
Netherlands		Autoriteit Financiële Markten	De Nederlandsche Bank	Dutch Banking Association
Austria		Finanzmarktaufsicht	Österreichische Nationalbank	Verband österreichischer Banken & Bankiers
Portugal		Comissão do Mercado de Valores Mobiliários	Banco de Portugal	Portuguese Banking Association
Slovenia		Agencija za trg vrednostnih papirjev	Banka Slovenije	Bank Association of Slovenia
Slovakia		Národná Banka Slovenska	Národná Banka Slovenska	Slovak Banking Association
Finland		Finanssivalvonta	Suomen Pankki – Finlands Bank	Finance Finland

(1) Preliminary list of ambassadors to be released by December 19th.

4. SG7 Work Streams – WS1 Eonia to €STR transition

Group members

BAML
BNPP
BPCE/Natixis
Citi
Deutsche Bank
EFAMA
EMMI
Ernst & Young
Eurex Clearing

Meetings

- 4 conference calls since October 16th
Working Group plenary meeting

Key aspects

- Increase visibility of the recommendations made by the Working Group to facilitate a smooth transition
- Inform about key industry milestones and time plans
- Communicate €STR progress report
- High profile target audience :
 - Financial stakeholders, infrastructure providers and public authorities
- Disseminate :
 - SG7 Communication Toolkit;
 - SG3, SG5 and SG6 publications
 - Industry news flow

4. SG7 Work Streams – WS1 Eonia to €STR transition

Status of the communication plan

- Communication toolkit available
- Stakeholders list available
- Accompanying text available
- Need Working Group email address to send communication and receive feedback/questions (available in the very near future)

Next steps

- Prepare awareness and information message about CCPs discount change and preparation needed
- Prepare end of year €STR progress report

4. SG7 Work Streams – WS2 Introduction of fallback clauses in EURIBOR contracts

Group members

BBVA
EMMI
HSBC
ING
Natwest
PWC
Santander
Wells Fargo

Meetings

- Weekly conference calls started 11 October 2019

Key aspects

- The WG agreed on a 2 step approach and the WS worked accordingly on an educational high level communication on the introduction of fallback clauses in EURIBOR contracts.
- The WS delivered 2 documents: one is a memo that will serve as the basis of communication materials to be elaborated by WS members (additional complementary Q&A to be inserted in the existing Q&A + ppt + social media) and the other is a communication plan, that is broadly aligned on the WS1 approach.
- Headlines relate to:
 - 1) what is the EURIBOR context with regard to the introduction of fallback clauses
 - 2) what is a fallback provision and what are its main elements
 - 3) why are EURIBOR fallback provisions necessary
 - 4) the regulatory requirements in relation to EURIBOR fallback
 - 5) the historical market practice in relation to EURIBOR fallback provisions
 - 6) the working group on euro risk free rates recommendations on EURIBOR fallback provisions
 - 7) market association work on fallbacks
 - 8) risk management and accounting considerations including EURIBOR fallback provisions (this part is in need of SG6 feed).

4. SG7 Work Streams – WS2 Introduction of fallback clauses in EURIBOR contracts

Status of the communication plan

- The WS agreed on the communication plan: Plan aims, and goals, Topics to cover, Definition of target audience, Communication approach, Coordination actions and Distribution channels
- It was notably agreed that the communication would start only after the communication on the EONIA €STR transition had been rolled out: therefore, it seems unlikely that the communication would start before early January.

Next steps

- Collect remaining missing information from local trade associations on their work regarding the introduction of fallback clauses and of guidance from SG6
- Review the communication materials prepared by PWC
- Start working in conjunction with SG3 Lead on the communication on the detailed / specific fall back clauses, likely after the consultation in (late Q1).

4. SG7 Work Streams – WS3 Retail

Group members

- CaixaBank
- Eurobank
- ING
- LBBW
- Santander
- BBVA
- Unicredit
- ABN AMRO
- ABI (Italian B. Association)
- AEB (Spanish B. Association)
- Deloitte
- EMMI
- ECB (Secretariat of the WG)

Key aspects

- **Euribor**
 - Clarify that Euribor is already compliant with BMR and continues to measure the same underlying economic reality (as intended by its administrator*) and therefore it can be used for the foreseeable future
 - Any communication details regarding the Euribor changes or its methodology are out of scope of the WG and should be redirected to EMMI
- **Fallback rates**
 - Emphasize that as per the BMR fallbacks are required for specific scenarios where an index is temporarily or permanently discontinued, ensuring thus contract continuity
 - Making sure that the introduction of fallback clauses must not be understood as an indicator of a Euribor discontinuation, highlighting the different scenarios for EONIA (clear discontinuation date) and Euribor
- **Retail market participants oriented**
 - The communication plan should cover basic concerns for retail and other less sophisticated market participants
 - SG7-WS3 will not recommend specific actions that banks should take with their customers, but will insist that communication towards retail clients is essential to ensure transparency and responsibility of each institution
- Impacts of the transition from EONIA to the €STR on **financial derivatives products held by SMEs** will certainly require consideration in the communication plan of the WG. However, SG7-WS3 is oriented to develop the communication plan oriented to less sophisticated market participants and entities which actively engage into financial derivatives **will not be considered within the scope**

Meetings

- Kick-off Telco - SG7-WS3 Retail Clients Communication and Education (7/10/2019)
- Face to face meeting Barcelona. Review basic content of the communication plan (22/10/2019)
- Written procedure (2nd half of November) to produce a working document on key elements of the Working Plan

* Also note the European Commission reply to a letter from the European Credit Sector Associations: https://www.ebf.eu/wp-content/uploads/2019/09/2019-09-03-VP-Dombrovskis-EACB_EBF_ESBG.pdf

4. SG7 Work Streams – WS3 Retail

Status of the communication plan

- WS has already **agreed and developed certain relevant components of the communication plan**: Plan aims, and goals, Topics to cover, Definition of target audience, Communication approach, Coordination actions and Distribution channels
- These key elements have been incorporated into a **working document** that has been agreed between WS members through a written-procedure that will be ending in the upcoming days
- On top of that an **Executive version** of the doc shall be produced
- Although some actions are already agreed, WS is **still defining key milestones required** for the communication plan
- **Key dependencies** are noun in relation to other subgroup developments before some messages can be disseminated. For this reason, **details of the plan will be discussed and agreed subsequently**

Next steps

- **Finalize and deliver to SG7 Chair the working document on Key elements**, together with the executive summary, and ensure **consistency** with the other SG7 work streams developments (before year-end)
- Assess a **possible roadmap for the retail communication plan**
- Analyze the convenience of **brief retail oriented versions of some the elements of the WG communication toolkit**, more specifically the FAQ and the basic set of slides