



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Item 3

Overview of relevant developments related to benchmark reforms

Meeting of the Working Group on
Euro Risk-Free Rates

Frankfurt, 20 April 2018

Overview

- 1 US: publication of the SOFR
- 2 UK: reformed SONIA to start soon
- 3 Euro area: consultations on new ECB rate and Euribor hybrid methodology



SOFR- publication by the Fed

On April 3 the Fed began publishing the following repo rates:

- The SOFR (Secured Overnight Financing Rate);
- The BGCR (Broad GC Rate);
- The TGCR (Tri-party GC Rate).

The SOFR was recommended by the ARRC as the alternative RFR to USD Libor for use in certain USD derivatives and other financial contracts.

Historical indicative rates and volumes for the three Treasury repo rates were released for the period extending from August 2014 to October 2017. The remainder of the time series extending through to March 2018 will be released in the coming days.

CME is planning to launch SOFR futures on May 7, pending regulatory review. LCH and CME should start to clear SOFR swaps in Q3 2018.

For example, LCH might clear SOFR swaps vs fixed rate and basis swap vs Libor and vs EFR.



Bank of England to produce the reformed SONIA as of 23 April:

- Calculation and production of the SONIA will be done by the BoE, which is already administrator;
- Scope of SONIA will be broadened to overnight unsecured transactions negotiated bilaterally as well as via brokers, on the basis of the sterling money market data collection (SMMD).
- Methodology: volume-weighted trimmed mean;
- Publication at T+1, 9am (rate for 23 April to be published on the 24 April).
- Over the past six months, indicative data show that reformed SONIA would have been on average c.1.3 basis points below current SONIA.

3 – Euro area: public consultation on the new ECB rate

Second public consultation on the new ECB rate



Consultation to end on 20th April, cob, on the detailed parameters for the new overnight unsecured rate: underlying interest, detailed scope (on the basis of MMSR), methodological choices.

- Main take-aways:

- Volumes and concentration show that data are sufficient to produce a reliable daily rate based purely on deposit transactions conducted with financial counterparties.
- Daily volumes average EUR 30bn, with 30 banks reporting every day.
- Preference for a volume-weighted mean with trimming at a 25% level.
- The new rate currently averages around 4 basis points less than the deposit facility rate.
- The rate will be published on a daily basis, at the latest by 09:00 CET on the following business day.
- The ECB intends to begin publishing regular rate runs for its new rate in the second half of 2018 once the final methodology has been decided.

Euribor



Public Consultation on the Euribor Hybrid Methodology

Petra De Deyne

EMMI

3 – Euro area: public consultation on Euribor hybrid methodology

EMMI consults on the Euribor hybrid methodology

- Consultation to end on the 15 May
- Feedback summary to this consultation to be published in June 2018
- Purpose
 - Gathering the market's views on certain features of the current publication process (publication of individual contributions, indicators to be published);
 - Other aspects, such as the inclusion and/or cessation of certain tenors;
 - Detailed description of each levels of the Euribor hybrid methodology.
- Next steps
 - In-depth testing of the proposed methodology under live conditions from May to August 2018;
 - A second consultation providing further details on some of these parameters will be published towards the end of Q3 2018 2018;
 - Launch of the hybrid methodology by Q4 2019 at the latest.