

Danish Benchmarks Oversight Committee Meeting

Danish Financial Benchmark Facility, Amaliegade 7, 1256 Copenhagen K
2nd March 2022 9.00 – 11.00 CET

Agenda:

I. Introduction

- a) *Introductory remarks by Chair and
Introduction of Nina Byrne as the new Chair of the OC for future meetings
Introduction of Nicolaj Verdellin as a new member of the OC, in attendance for our meeting of 2 March as an 'observer' only*
- b) *Overview of agenda*
- c) *Declaration of potential conflicts of interest with respect to meeting agenda*
- d) *Review of action items from Committee meeting of 8 Dec 2021 –*
 - *Review of ESMA document released on 7 Dec 2021 concerning methodology, OC function, and record keeping under BMR (MM) **DONE***

II. Determination Methodology

Operational Metrics report – AC

III. Governance, Regulatory & Supervisory Issues

- a) *DFBF Compliance Report*
- b) *DFBF Internal Review 2021*
- c) *Review of governance artefacts and other documentation*

Document changes due to the cessation of CIBOR tenors and Tom/Next transition to DESTRA + fixed spread:

- I. *DFBF17011A CIBOR Tom/Next Panel Bank Code of Conduct*
 - II. *DFBF17028 Post Publication and Re-determination Policy*
 - III. *DFBF17029A CIBOR Calculation Methodology*
 - IV. *DFBF17029B Tom/Next Calculation Methodology*
 - V. *DFBF17032A CIBOR Tom/Next Benchmark Statement*
- d) *EU Commission Delegated Regulations overview (CDRs 2021/1348, 2021/1349, 2021/1350, 2021/1351 and 2021/1352)*
 - e) *ESMA Guidelines on methodology, oversight function and record keeping under the Benchmarks Regulation*

IV. Evolution of Danish Benchmarks

- a) *Update on CIBOR cessation – JM*
- b) *Update on Tom/Next transition - JM*
- c) *Update from FIDA on CITA reformation - MF*

V. Board & Stakeholder Communication

VI. AOB

Minutes

Participants:

Chair: Neil Donaldson (GRSS) - voting member (**ND**)
Martina Mozerova (DFBF) - non-voting member (**MM**)
Søren Kjeldsgaard (Nykredit) – voting member (**SK**)
Steen Qvist Jørgensen (Jyske Bank) – voting member (**SQJ**)
Morten Frederiksen (FIDA) – voting member (**MF**)
Gregory Campbell (independent) – voting member (**GC**)
Christine E. Habel (independent) – voting member (**CEH**)
Nina Byrne (independent) – voting member (**NB**)
Tomáš Kvapil (CFBF) – non-voting member (**TK**)

DFBF Secretariat: Eva Kops (DFBF) (**EK**)

Invited attendees:

Nicolaj Verdelin (Nykredit) (**NV**)
Mark Beaumont (GRSS) (**MB**)
Andrej Chudožilov (CFBF) (**AC**)
Jesper Mortensen (DFBF) (**JM**)

I. Introduction

a) *Introductory remarks by Chair and Introduction of Nina Byrne as the new Chair of the OC for future meetings*
Introduction of Nicolaj Verdelin as a new member of the OC, in attendance for our meeting of 2 March as an 'observer' only.

MB thanked SK for his involvement in the OC for the last three years, the same appreciation was extended to ND who is stepping down as Chairman for the OC and from June becoming an ordinary OC member. Welcome to NB as the new Chairperson and to NV who will take over the seat of SK.

b) *Overview of agenda*

ND asked if all agreed to accept NB as Chairperson and NV as ordinary member, the OC confirmed unanimously.

c) *Declaration of potential conflicts of interest with respect to meeting agenda*

None were registered. Quorum was met.

d) *Review of action items from Committee meeting of 8 Dec 2021 –*

- *Review of ESMA document released on 7 Dec 2021 concerning methodology, OC function, and record keeping under BMR (MM) **DONE***

II. Determination Methodology

Operational Metrics report – AC

- a. CIBOR flagging for 1W / 2W prior to end year. HD reached out to the PB for explanation, response was that reporting had been done based on transactions. There was extensive 1Y flagging on 4 Feb 2022 due to ECB monetary policy meeting and subsequent EUR interest rate move. One PB had ongoing flagging on 3M throughout the reporting period, this is due to recalibration of contribution model within the bank and has been reported to HD on previous occasion.
- b. On 4 Feb 2022 CITA had similar flagging as CIBOR on 1Y due to ECB activities.
- c. SWAP static movement flagging on 4 Feb 2022 caused by ECB meeting.
- d. T/N extensive flagging around Dec start and end year as usually seen.

SK shared data on the PBs' ability to predict 1W CIBOR and T/N over year end.

ND asked if the OC agreed to no further action on the metrics report as presented, this was confirmed. GC asked if the sanctions regarding Russia would have an impact on the Danish market, JM said that 1) regarding rates the volatility is currently higher 2) liquidity in market is unchanged in broader terms. DFBF has been addressed by FCA and DFSA to ensure adherence to sanctions, meanwhile the DFBF has no exposure to Russian Banks or Corporates.

NB mentioned the increased risk of cyber-attack, CHE mentioned that legislation has been boosted to improve cyber security on a general level.

III. Governance, Regulatory & Supervisory Issues

- a) *DFBF Compliance Report*
Nothing to report.
- b) *DFBF Internal Review 2021*
Summarizing events in DFBF during the year 2021. One case of new CDR received.
- c) *Review of governance artefacts and other documentation*

Document changes due to the cessation of CIBOR tenors and Tom/Next transition to DESTR + fixed spread:

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- V. *DFBF17032A CIBOR Tom/Next Benchmark Statement*

Due to the upcoming changes to CIBOR and T/N the related policies have been updated.

It was confirmed the spread between T/N and DESTR will be published on/around 25 Mar 2022.

New CIBOR CoC was provided to PBs on 1 Mar 2022 and DFBF will at a later stage ask the PBs to confirm their declaration of compliance.

- d) *EU Commission Delegated Regulations overview (CDRs 2021/1348, 2021/1349, 2021/1350, 2021/1351 and 2021/1352)*

DFBF is up to date on the CDRs released in Aug 2021, these will require minor changes to existing policies.

- e) *ESMA Guidelines on methodology, oversight function and record keeping under the Benchmarks Regulation*

Two of the amended guidelines are applicable for CITA/SWAP regarding record keeping and non-significant BMs, the rest do not apply to the Danish BMs being non-critical.

VI. Evolution of Danish Benchmarks

- a) *Update on CIBOR cessation – JM*
Cessation of the CIBOR tenors is well underway, website will be changed to reflect the changes in due course.
- b) *Update on Tom/Next transition – JM*
Spread determination is underway, no later than 25 Mar the spread will be published and expected close to 19 bp.
One BWG meeting has been held on 23 Feb with only one action point, namely that PBs will consider the future CITA reformation and the requirement for tenors in the future scenario.
- c) *Update from FIDA on CITA reformation – MF*
MF mentioned that the transition to DESTR does not only affect T/N but also the CITA. After 1 Jan 2026 the cessation of T/N will impact CITA and hence FIDA and its WG have already investigated the options for a reformation of the BM. Soon a consultation paper will be finalised and published, there will be a three-week consultation period. FIDA expects a conclusion by the time the new T/N is being published for the first time on 4 Apr 2022. The consultation also includes an open question on the need for future tenors.
JM added that the DFBF expects to launch a similar consultation during Q4 after the FIDA consultation has been finalised and a recommendation passed on to DFBF.

VII. Board & Stakeholder Communication

- a) No requirements were registered.

VIII. AOB

- a) No points were brought up.

Next meeting is scheduled for 14 June 2022 at 0900-1100 hrs.

The meeting ended at 10.05 hrs.