

Danish Benchmarks Oversight Committee Meeting

Danish Financial Benchmark Facility, Amaliegade 7, 1256 Copenhagen K
14 June 2022 10.00 – 12.00 CET

Agenda:

- I. Introduction**
 - a) Introductory remarks by Chair*
 - 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 2nd March 2022*

- II. Determination Methodology**

Operational Metrics report – TK

- III. Governance, Regulatory & Supervisory Issues**
 - a) DFBF Compliance Report - MM*

- IV. Evolution of Danish Benchmarks**
 - a) Update on CIBOR cessation & Tom/Next transition – JM*
 - b) Recommendation from BWG on CITA reformation – JM*
 - c) Back testing - JM*

- V. Board & Stakeholder Communication**
 - a) Delayed data behind login on DFBF.dk - EK*
 - b) New OC member - JM*

- VI. AOB**

Minutes

Participants:

Chair: *Nina Byrne (independent)* – voting member (**NB**)
Martina Mozerova (DFBF) - non-voting member (**MM**)
Nicolaj Verdelin (Nykredit) – voting member (**NV**)
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**)
Tomáš Kvapil (CFBF) – non-voting member (**TK**)
Neil Donaldson (GRSS) - voting member (**ND**)

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

Invited attendees:

Jesper Mortensen (DFBF) (**JM**)

I. Introduction

- a) *Introductory remarks by Chair*
NB welcomed the OC members and commented on recent events that have impacted the market.
- b) *Overview of agenda*
- 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 2nd March 2022 –*
MM confirmed that outstanding action points had been discussed and closed.

II. Determination Methodology

Operational Metrics report

CIBOR 3M pre-calculation spikes for one of the PBs, no action required.

Extensive spike flagging for all PB after 1 Apr and the discontinuation of three CIBOR tenors. The unusual high number of flags leads to a conclusion that thresholds should be changed to be dynamic.

CITA flagging like that of CIBOR, it was agreed to discuss the matter under a later agenda point.

On 6 Apr one PB contribution was disregarded, rates were submitted, but left out due to missing 4-eye check.

SWAP - a series of flags seen throughout the period.

From 1 Apr the new calculation methodology for T/N was implemented, there are no more PB contributions being made.

a) Review of pre-calculation checks

Due to volatility in the market and increasing rates followed by steepening of the curve, the current threshold is causing flagging, which is only in line with expectations. However, to reduce the number of flags it is being considered to implement dynamic thresholds for CIBOR/CITA spike. The OC acknowledged the proposal. A similar discussion was held about static move test for SWAP and an increase of the threshold was likewise acknowledged.

III. Governance, Regulatory & Supervisory Issues

a) DFBF Compliance Report

New COI declaration from NV was received and is now published on website. No complaints received. No irregularities registered. Operational report has no comments. DRP test performed and carried out with no comments.

On 18 March one PB had discovered an error in their 1M CITA contribution and as their CIBOR contribution is based on CITA also the shortest CIBOR tenors were affected and had to be amended. A recalculation was made in line with the DFBF Post Calculation Redetermination Policy. Only for the CIBOR 2W tenor did the recalculation result in a redetermination while the rest of the tenors had no effect. The incident has been published on the DFBF website.

It was discussed if the threshold for CIBOR redetermination should be changed from 1bp to 2bp and be in line with EURIBOR and CITA redetermination. The OC agreed.

Second regulatory audit is underway, the report will be shared with the OC in due time. JM added that all PBs are in the process of doing their external audits.

CIBOR Code of Conduct was updated as of 1 Apr 2022.

The Compliance report was approved by the OC.

IV. Evolution of Danish Benchmarks

a) Update on CIBOR cessation & Tom/Next transition

Feedback from PBs was that things went well. Few market reactions and news were published on the DFBF website regarding changes which users could be referred to for more information. Bloomberg has not updated their curves hence still publishing the ceased tenors. Matter has been addressed with Bloomberg.

The definition of Tom/Next is wrongly shown on the ISDA Tom/Next definition page, we have made them aware of the issue and offered to have a call to elaborate if required.

b) Recommendation from BWG on CITA reformation

None of the PBs use the tenors 2M/9M and propose these are being ceased. Public Consultation can commence Sep 2022 and implementation of the reformed CITA take place from 1 Feb 2023 as DESTROIS + spread.

c) Back testing

Good progress has been made on how to perform back testing and once there is agreement on the future format, the information will be provided to the OC.

V. Board & Stakeholder Communication

a) Delayed data behind login on DFBF.dk

As of 20 June 2022 the delayed data on DFBF website will be moved behind login. It is ensured that non-commercial users will continue to obtain the data for free.

b) New OC member

A new member is being considered for the OC, the OC will be informed once all approvals are in place.

VI. AOB

No topics were brought up.

Next meeting is scheduled for 7 September 2022 at 0900-1100 hrs. It will be a Teams meeting.

The meeting ended at 11.50 hrs.