

## Danish Benchmarks Oversight Committee Meeting

Danish Financial Benchmark Facility, Amaliegade 7, 1256 Copenhagen K  
7 December 2022 10.00 – 11.30 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 7<sup>th</sup> September 2022 – there were none*

**II. Determination Methodology**

*Operational Metrics report – AC*

**III. Governance, Regulatory & Supervisory Issues**

- a) *DFBF Benchmarks – quarterly report Aug – Oct 2022*
- b) *Panel Bank audit results*
- c) *Annual Review of Danish Benchmarks’ Definition and Methodology 2022*
- d) *Governance artefacts*
  - i. *Approved by Board in September 2022*
  - ii. *Prepared updates for launch of Sequence 1 of CITA reformation and cessation of 2M, 9M CITA tenors (effective 1<sup>st</sup> Feb 2023)*

**IV. Evolution of Danish Benchmarks**

- a) *BWG meeting held 1st November 2022 – JM*

**V. Board & Stakeholder Communication**

**VI. AOB**

## Minutes

**Chair:** *Nina Byrne (independent)* – voting member **(NB)**  
*Martina Mozerova (DFBF)* - non-voting member **(MM)**  
*Nicolaj Verdelin (Nykredit)* – voting member **(NV)**  
*Morten Frederiksen (FIDA)* – voting member **(MF)**  
*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)**  
*Andrej Chudožilov (CFBF)* **(AC)**

## **I. Introduction**

- a) *Introductory remarks by Chair*  
NB welcomed the OC members and commented on recent events where continued instability in the energy market, increase in interest rates, and the highest inflation in 40 years persists in making an impact in volatility in the market.
- b) *Overview of agenda*
- c) *Declaration of potential conflicts of interest with respect to meeting agenda*  
None were registered. Quorum was met despite the absence of Danske Bank representative.
- d) *Review of action items from Committee meeting of 7<sup>th</sup> September 2022 – none were registered.*

## **II. Determination Methodology**

*Operational Metrics report – AC*

### **CIBOR**

Rates had on one occasion been corrected by a panel bank (PB) within the reporting window for re-determination (elaboration under Compliance). There had been extensive static movement flagging of all PBs on various tenors, it is the same pattern as seen before and it is caused by multiple market factors.

In connection with rate hike by Danmarks Nationalbank (DNB), concerning the period 20-28 Oct, all PBs were flagged on their CIBOR 1W tenor. The same happened again between 31 Aug – 9 Sep when DNB likewise increased rates.

On 5 Oct, one panel bank saw a drop in the 1W rate caused by repo transactions.

The OC found that no further action was required for any of the described events.

JM mentioned that despite the current volatility, DFBB will continue with unchanged pre-calculation thresholds and follow developments for any required adjustments.

ND asked how the Resolution Fund contribution is determined, NB explained that it is backward looking with a 1-year delay. The size of the fund has been constituted as 1% of all covered deposits, initially agreed upon in 2014 and expected to be fully built by end 2024. At the end of 2021 the fund had a deposit of approximately DKK 5 billion against an expected final size of around DKK 8 billion.

Contributions from smaller institutions are a fixed amount and decided by Finansiell Stabilitet while for larger institutions it is a risk-based calculation comprising several factors (size of balance sheet is weighted heavily). Consequently, the largest banks pay a proportionally higher amount due to their significant fixed income and derivatives trading departments.

#### **CITA**

There had been flagging of all banks across tenors thus mirroring CIBOR movements. JM said that CITA flagging had been discussed at the most recent BWG meeting and that PBs were asked to internally review their documentation procedures.

#### **SWAP**

Flagging of all PBs during 26 Sep - 31 Oct, mainly due to volatility in EUR IRS market.

### **III. Governance, Regulatory & Supervisory Issues**

#### *a) Compliance Report Aug – Oct 2022*

No declared conflicts of interest, no whistleblowing reports, and no complaints were registered.

Reporting of erroneous data of CIBOR 1M on 6 Sep and 29 Nov, there was no material impact to the benchmark and re-determination was therefore not required.

There were no findings from the BMR audit of PBs on their compliance with CIBOR Code of Conduct. The consolidated report had been shared with the relevant parties.

Public consultation on the CITA reformation had been carried out and was finalised in Sep 2022. There are still tasks to be done regarding changes that become effective as of 1 Feb 2023.

MM went through the various parts of the Operational Security Report. There were no critical findings and no failures detected.

GRSS has been ISO 27001:2013 certified again, this time until 2025.

#### *b) Panel Bank audit results*

PB audit results had been shared with relevant authorities who had no major concerns regarding the individual reports. The next external audit is scheduled for summer 2024.

c) *Annual Review of Danish Benchmarks' Definition and Methodology 2022*

The PB composition has been stable all year.

The Commission Delegated Regulation 2021/1352, which came into effect on January 2022, prescribes that back- and stress testing must be carried out, and so procedures were established earlier in the year by DFBF for such tests. No systematic anomalies have been detected during the period Nov 2021 – Oct 2022.

Based on the annual review report, the OC agreed that the four Danish benchmarks continue to be fit for purpose.

d) *Governance artefacts*

i. *Approved by Board in September 2022*

Policy changes presented to the Board in Sep 2022 had all been acknowledged.

ii. *Prepared updates for launch of Sequence 1 of CITA reformation and cessation of 2M, 9M CITA tenors (effective 1<sup>st</sup> Feb 2023)*

Updates to CITA Code of Conduct and methodology are expected in connection with the upcoming cessation of CITA tenors. MM presented the changes.

#### **IV. Evolution of Danish Benchmarks**

a) *BWG meeting held 1st November 2022*

It was confirmed that DESTRO TERM OIS Market Maker Agreement (MMA) is up and running with the agreed trading obligations.

#### **V. Board & Stakeholder Communication**

JM gave an update on recent Board communication.

#### **VI. AOB**

NB mentioned that the transition to RFR has happened with no apparent challenges, however, the US has experienced that the movement to term markets based on RFR can be difficult since the SOFR based term market has been challenged by CFTC.

CEH enquired how it works when the MMA is linked to DESTRO and MF replied that the trading obligation is related to CITA (linked to DESTRO+19BP).

Next meeting is scheduled for 8 March 2023 at 09.00-11.00 hrs.

The meeting ended at 11.30 hrs.