

Danish Benchmarks Oversight Committee Meeting

Danish Financial Benchmark Facility, Amaliegade 7, 1256 Copenhagen K
8 March 2023 09.00 – 11.00 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) *Welcome to new OC member Jacob Ramskov, Danske Bank, and to observer J P Neergaard*
 - e) *Review of action items from Committee meeting of 7th September 2022 – **there were none***

- II. Determination Methodology**

Operational Metrics report – AC

- III. Governance, Regulatory & Supervisory Issues**
 - a) *DFBF Benchmarks - Quarterly Report Nov 2022 – Jan 2023*
 - b) *DFBF Internal Review 2022*
 - c) *Governance artefacts*
 - i. *Sequence 1 of CITA reformation and cessation of 2M, 9M CITA tenors (effective 1st Feb 2023)*
 - ii. *Panel Bank Declarations of Compliance with Panel Bank Codes of Conduct*
 - d) *ESMA released Consultation on authorisation and registration of benchmark administrators*

- IV. Evolution of Danish Benchmarks**

- 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)**
Jacob Ramskov (Danske Bank) – voting member **(JR)**
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)**
JP Neergaard (observer – independent) **(JPN)**

i. Introduction

a) Introductory remarks by Chair

NB welcomed the OC members and gave an update on current market challenges. It was shared that an agreement had recently been made between employers & employees of the financial sector which fortunately prevented strikes or other labour disruptions which could have affected the Danish BMs. Fed and ECB still have in view rate increases in their endeavour to get the core inflation down. Consistent flagging persists due to market volatility and DFBF is aware and trying to adapt to keep up with market changes.

b) Overview of agenda

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

Col was received from all OC members, no conflicts detected. During today's meeting, NB will abstain from voting (if situation requires) as she is taking on the MD role of DFBF from 1 Apr 2023. As information to the new members, NB reminded of the role carried out by the OC.
Quorum was met for this meeting.

d) NB welcomed JR as new OC member representing Danske Bank. NB likewise introduced JPN as the new OC Chairman who will take over the role as of June 2023 (8 Jun OC meeting).

e) Review of action items from Committee meeting of 7th December 2022 – none were registered.

ii. Determination Methodology

Operational Metrics report – AC

The report covers the period 1 Dec 2022 to 28 Feb 2023.

CIBOR

Extensive flagging of all PBs was seen around the rate announcements from Danmarks Nationalbank (DNB) on 16 Dec and 3 Feb. In regard to the latter, the increase was estimated to be higher and hence the PBs had included these expectations in their contributions, this resulted in declining contributions when the actual value became known.

On 22 Dec 2022, one PB showed a rate move for the 1M tenor, it was considered a year-end effect by HD. Another action from the same bank was noticed during the period 9 Jan - 3 Feb where the 1M rate was moved up slightly in anticipation of DNB rate hike. Documentation was provided upon enquiry from HD.

On 28 Dec on PB was flagged on CIBOR 1M and when the bank was contacted it was explained as a human error, the HD considered no further action required.

One PB was flagged on 6M & 12M after the 16 Dec rate hike by DNB, thereafter rates remained high until the following DNB rate hike in Feb. Upon enquiry, the bank explained that their action was taken due to changes in business expectations and because of market conditions. HD suggested no further action.

CITA

Extensive flagging was seen around both DNB rate hikes, this was expected, especially prior to 16 Dec in expectation of the upcoming increase.

Excessive flagging of all PBs on/around the day of the CITA methodology change on 1 Feb 2023.

JM explained that the current threshold of 4 bp is not sufficient in a volatile market hence DFBS will change the deviation threshold, so it is linked to the trading obligation/ MMA. Therefore, the 1M CITA/OIS threshold has been increased to 8 bp. Thresholds for 3M, 6M, and 12M tenors will remain unchanged at 4 bp.

SWAP

All the flagging took place around DNB rate hikes hence a situation as anticipated.

T&N

No issues to discuss related to this benchmark.

iii. Governance, Regulatory & Supervisory Issues

a) Compliance Report Nov 2022 – Jan 2023

There had been no whistleblowing reporting during the period. All CoI were collected from OC members and nothing to comment in that respect. Also, there were no complaints received during the period. On 29 Nov an erroneous data input was detected. CITA reformation "Sequence 1" has been completed without issues, the methodology changed and tenors 2M and 9M were ceased. Operational Security

Report was presented and there were no comments. CA system review showed no failures and all performed timely. No cyber-attacks were detected during the period.

b) *DFBF internal review 2022*

MM described the content of the internal review. Codes of Conduct had been changed twice during the year, first CIBOR as the tenors 2W, 2M and 9M were ceased, later T&N changed to DESTROIS. There had been no changes to regulation, but on 1 Jan 2022 three new Commission Delegated Regulations came into effect and were implemented by DFBF. Annual DRP test with PBs and vendors had been performed with no comments. In Aug 2022, ISO certification of GRSS had been prolonged as previously informed. Outsourcing arrangements for DFBF remain unchanged.

c) *Governance artefacts*

i. *All public documents related to Sequence 1 of CITA reformation and cessation of 2M, 9M CITA tenors (effective 1st Feb 2023) are available on the DFBF website from 1st Feb 2023*

<https://dfbf.dk/dfbf-benchmarks/cita-swap/>

All documents have been published, these include CITA Calculation Methodology, CITA&SWAP Panel Bank Code of Conduct, and other relevant policies.

ii. *Panel Bank Declarations of Compliance with Panel Bank Codes of Conduct successfully obtained from all banks during Feb 2023*

All duly collected from PBs.

d) *ESMA released Consultation on authorisation and registration of benchmark administrators – information regarding DFBF's standpoint.*

The mentioned changes have no relevance for the DFBF which is already a BMR authorised administrator.

i. Evolution of Danish Benchmarks

JM mentioned that no BWG had been held since the last OC meeting.

The change from CITA to DESTROIS has been handled well.

MF will enquire during the next MM meeting how the group sees the shift from CITA towards DESTROIS and the OC will hereafter be updated accordingly.

ii. Board & Stakeholder Communication

JM informed the new OC members about the quarterly reporting to DFSA which is normally done after the Board meetings.

iii. AOB

Next meeting is scheduled for 8 June 2023 at 10.00-12.00 hrs.

The meeting ended at 09.55 hrs.