

Danish Benchmarks Oversight Committee Meeting

Danish Financial Benchmark Facility, Amaliegade 7, 1256 Copenhagen K

4th September 2024 09.00 – 11.00 CET

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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 6th June 2024*
There were none

II. Determination Methodology

Operational Metrics report (AC)

III. Governance, Regulatory & Supervisory Issues

- a) DFBF Benchmarks - Quarterly Report May 24 – Jul 24*
- b) Governance artefacts*
- c) Appointment of OC members Nicolai Platen Larsen (Nykredit)*
- d) EY audit*
- e) Erroneous data submission (NB)*

IV. Evolution of Danish Benchmarks

- a) CIBOR fallback rates (MF)*

V. Board & Stakeholder Communication

VI. AOB

VII. Next meeting

Minutes

Chair: JP Neergaard (*independent*) – voting member (**JPN**)
Jacob Ramskov (*Danske Bank*) – voting member (**JR**)
Nicolai Platen Rauch Larsen (*Nykredit*) – voting member (**NPL**)
Morten Frederiksen (*FIDA*) – voting member (**MF**)
Tomáš Kvapil (*CFBF*) – non-voting member (**TK**)
Neil Donaldson (*GRSS*) - voting member (**ND**)

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

Invitees:

Nina Byrne (*DFBF*) (**NB**)
Andrej Chudožilov (*CFBF*) (**AC**)

Observer:

Jan Borunsky (*DFBF*) (**JB**)

I. Introduction

a) Introductory remarks by Chair

The chairman welcomed the new members of the OC.

JPN said that recent months had been eventful with quite some disturbance in the market. The attack on Donald Trump, a new Labour government in the UK, and FED declaring that they are now on an easing path expecting rate cuts within 2024, had all contributed to the scenario. There is much regulatory focus on ESG implementation and interpretation of EU taxonomy. Hyper volatility has been seen recently, but markets are now settling down.

NB confirmed that all PBs had handled the situation very well.

b) Overview of agenda

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

No conflicts were declared. Quorum was met for the meeting and minutes from the previous meeting were approved.

d) Review of action items from Committee meeting of 6th June 2024

There were none.

II. Determination Methodology

Operational Metrics report – AC

The report covers the period 29 May 2024 to 28 August 2024.

CIBOR

On 29 May there was flagging of all banks' CIBOR 1W tenor, however, as the pattern was similar for all banks no further action was taken.

On 5 Aug all banks showed a rate drop mirroring that of EUR markets and for this reason the HD did not take action.

CITA

5 Aug reflected a similar drop in rates (3M to 12M) for all PBs as was seen for CIBOR. Due to the clear pattern of movements that day, the HD took no further action.

SWAP

On 5 Aug the SWAP rates moved the same way as CIBOR/CITA. After publication one PB reported to the HD that an error had occurred, and the correct rates were later submitted (after the redetermination window). The incident has been published on the DFBF website in the normal erroneous data report.

T/N

No issues related to this benchmark.

III. Governance, Regulatory & Supervisory Issues*a) Compliance Report May 24 – Jul 24*

It was a calm period with no Col or whistleblowing reports. The functionality tests were successfully carried out on 9 and 12 Aug.

No erroneous input data was submitted within the period. No cyber related issues were noted, and no downtime was registered. No new software had been released.

Declarations of Col were collected from DFBF staff with no conflicts declared.

b) Governance artefacts

None were presented. No changes to any policies.

c) Appointment of OC members Nicolai Platen Larsen (Nykredit)

NPL has been added to the DFBF website as a new OC member. NPL gave a short introduction to himself.

d) EY audit

The DFBF audit is in progress and the final report is expected by end Sep or early Oct.

e) Erroneous data submission (NB)

NB mentioned that on 5 Aug there was an erroneous data submission, but the quorum was met, and the rates were published on time.

TK mentioned that only a few times in the history of Danish BMs has it occurred that erroneous data has been submitted. One republication has taken place since DFBF commenced its operation in 2019.

It is quite common for e.g. EURIBOR that such incidents occur, they happen frequently and sometimes the deviations are significant, up to 2 bp which is the threshold for redetermination. Nevertheless, it is important that erroneous data is followed and spotted when it happens and can be reacted upon.

TK said that in the mentioned case the rates had been monitored, the administrator reacted promptly, and consequently the needed changes were made, hence from a BMR perspective all requirements were fulfilled. JPN said that the system had worked well, and errors reacted upon.

It was confirmed that the PB had afterwards implemented an internal control to avoid similar issues.

IV. Evolution of Danish Benchmarks

a) CIBOR fallback rates (MF)

MF said that reference to interest rates requires a fallback rate in case the reference rate is no longer there (for any reason). The working group had taken its starting point in the traditional approach within IBORs while also taking inspiration from work done on the EURIBOR. The group had consisted of participants from the largest Danish banks and a public consultation had taken place to gather feedback from the market. The working group concluded with the following recommendation:

- I. DESTR-fallback is now specifically recommended for derivatives
- II. CITA fallback is recommended for mortgage loans and bonds
- III. A third fallback model is added which may be used for cash and banking products (including syndicated loan and multi-currency facilities) where there is a need for more flexibility to secure the most appropriate fallback rate.

It is voluntary for the banks to follow these recommendations which were recently published on the FIDA website.

NB thanked MF for having finalised this useful work. MF added that there are more elaborate descriptions on the FIDA home page.

V. Board & Stakeholder Communication

NB mentioned that the Board and OC had undergone quite a few changes over summer, these were communicated to the OC in one mail to give a clear overview.

Steve Cheval (GRSS) has stepped down from the DFBF Board and Gregory Gautier (Euronext) is now placed in this seat.

Christine Habel, independent member, has stepped down from the OC after five years in the committee. JB has now taken over as DFBF Compliance Officer.

BWG and EBAF meetings are being planned.

NB gave a brief market update.

VI. AOB

Nothing discussed under this agenda point.

VII. Next OC meeting

The next OC meeting is scheduled for 4 Dec 2024 from 10.00 – 12.00 hrs.

The meeting ended at 10.10 hrs.