

Working group on euro risk-free rates Terms of reference for subgroup 7 on communication and education

1. Background

In September 2017 the European Central Bank (ECB), the Financial Services and Markets Authority (FSMA), the European Securities and Markets Authority (ESMA) and the European Commission announced the launch of the working group on euro risk-free rates (RFRs). This working group was tasked with the identification and adoption of RFRs to serve as a basis for an alternative to the current benchmarks used in a variety of financial instruments and contracts in the euro area.

The working group decided to set up several work streams to elaborate on specific proposals to address the challenges of the “preparation phase”.

- Work stream 1 – identify and recommend (an) alternative RFR(s)
- Work stream 2 – identify and recommend a term structure for RFR(s)
- Work stream 3 – contractual robustness for legacy and new contracts
- Work stream 4 – transition from EONIA to the alternative RFR(s)

For work streams 2, 3 and 4 dedicated subgroups have been created.

Now, a year after its creation, the working group on euro risk-free rates is aiming to ensure that its recommendations are adopted by all market participants. The working group has set up additional work streams and related subgroups for this “market adoption” phase.

- Work stream 5 – adoption by cash products and derivatives
- Work stream 6 – financial accounting and risk management issues
- Work stream 7 – communication to and education of market participants

These terms of reference set out the detailed objectives, governance, membership, work, reporting and transparency arrangements applicable to the subgroup on communication and education (“subgroup 7”).

2. Objectives and output

Subgroup 7 should focus on efforts to foster public understanding of the euro benchmark reforms, given the wide-range and specificity of the benchmark users in the euro area, notably for Euribor.

The subgroup will be allocated the following tasks:

- to establish a clear communication strategy for the working group, with a particular focus on how to approach, inform and educate market participants and improve the visibility of the working group, possibly through designing common communication tools for the working group;
- to act as an editorial committee for general public enquiries, i.e. responding on behalf of the working group to questions about the benchmark reforms and the role of the working group;

- to address the challenges of communicating with retail and less sophisticated market participants.

3. Chair

The Chair of subgroup 7 should be a working group member. The Chair of the working group, in consultation with the public institutions, appoints the Chair of subgroup 7 taking into account the expertise and experience of the member, as well as the profile of the institution they represent.

4. Membership

A call for applications to participate in subgroups remains open on the ECB's website. The selection procedure is led by the Chair of the working group, the Chair of subgroup 7, and the ECB Secretariat, with the support of the other public institutions that act as observers in the working group (the European Commission, the Belgian FSMA and ESMA).

The selected institutions are chosen on the basis of several factors. First, their motivation and their commitment to providing support to the subgroup are considered. In addition, the institutions are selected with a view to including a variety of interests and perspectives, including some beyond the horizon of the credit institutions. Finally, geographical representativeness is also considered.

Representatives from the ECB, ESMA, the European Commission and the FSMA are given the opportunity to participate in subgroups as observers and the ECB provides subgroup 7 with its Secretariat.

Where appropriate, subgroup 7 may consult, directly or through other subgroups, with a broad cross-section of market participants. This will be done through the publication of consultative papers, hosting roundtable events, or through other suitable approaches. The types of market participants that may be invited to attend, or be consulted, include, but are not limited to: investment firms; asset managers; trading firms and other firms that may wish to use or trade RFR-referencing derivative instruments, as well as European or international trade or user associations.

5. Governance

Subgroup 7 will take decisions by consensus. If no consensus is reached, the Chair of subgroup 7 will present the diverging proposals, options or views to the working group for agreement.

6. Reporting and transparency

Subgroup 7 will provide regular updates to the working group on its progress. These updates may take the form of letters, reports, emails or presentations to the working group. The verbal or written updates will be part of the minutes or documents published following each working group meeting.

7. Competition policy, conflicts of interest and member responsibilities

It is the responsibility of working group and work stream members to ensure that they understand their responsibilities under all applicable competition laws, including EU competition law. The competition law compliance policy agreed at the working group level applies equally to all work streams set up by the working group.