

SG#7 Communication and Education | 27 February 2020

# **Presentation for the Working Group on euro risk-free rates**

## **Working Group euro RFR Meeting**

# Agenda

- 1. Update on communication materials and unified plan**
- 2. Update on the SG7 governance model**
- 3. Update on Ambassadors program (Framework and local appointments)**

# 1. Subgroup 7: Actions/materials to be approved



## Purpose

SG7 to provide materials to be part of the initial communication toolkit for the elaboration of the communication plans. Documentation will be updated on a recurrent basis

### EONIA to €STR Key messages

- *Description:* The purpose of this pack is to inform readers about the transition from EONIA to €STR, focusing on the key messages regarding products, models, legal, accounting and risk management implications
- To be used by its ambassadors when engaging with internal and external stakeholders on this topic

**Next step:** *To be approved*

### Unified Comms Plan

- *Description:* This is an internal and dynamic working document with the aim to develop the key principles and basic elements required to define a communication plan for Working Group Euro Risk Free Rates.
- Compilation of main WS communication plans. Document includes context, goals and targets, key messages, stakeholders, channels, comms actions.

**Next step:** *To be approved*

# 1. Subgroup 7: Actions/materials to be approved



## Purpose

SG7 to provide materials to be part of the initial communication toolkit for the elaboration of the communication plans. Documentation will be updated on a recurrent basis

### Update Q&A document First Release

- *Description:* includes frequent questions and answers related to main topics the Euro free risk rates Group has been working on.
- This document is part of the *materials of the communication toolkit and would facilitate the handling of media and public enquiries*
- *Status:* Question and answers on *fallbacks have been updated or included as part of the WS2 activities*

**Next step:** *To be approved*

### Update of Basic set of slides

- *Description:* institutional presentation on Euro free risk rates (set of standard slides) common for SG and WG members
- *Status:* *Update of the blocks related to Eonia to €STR transition and fallbacks*

**Next step:** *To be approved*

### EONIA to €STR Key messages

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**Next step:** *To be approved*

### Understanding fallbacks

- *Description:* to inform about EURIBOR fallbacks in the context of the interest rate benchmark reform and the recommendations made by the WG, as well as to address the need for fallbacks from a regulatory perspective and the work performed by market associations.
- To be used by its ambassadors when engaging with internal and external stakeholders on this topic

**Next step:** *To be approved*

# 1. Subgroup 7: Actions/materials to be approved

## Newsletter

- Update of the WG euro RFR activities and the status of the reform
- Frequency: on a recurring basis
- **Due date: February 2020**
- *Next step: To be approved*



## Working Group on €uro Risk-Free Rate

### Working Group on €uro Risk-Free Rates

Newsletter: September issue

This monthly newsletter provides an update on the work of the Working Group on Sterling Risk-Free Rates relating to RFR transition in GBP markets. If you have questions about the content or would like to get involved, please contact [RFR.Secretariat@bankofengland.gov.uk](mailto:RFR.Secretariat@bankofengland.gov.uk)

#### What is happening with RFRs

##### Key messages

- In 2014, the Financial Stability Board (FSB) issued recommendations to strengthen the resilience of the global financial system, to the greatest extent possible, by developing alternative, nearly risk-free reference rates for use in financial markets; they act as benchmarks for financial instruments and are therefore critical to the stability of the global financial system.
- Declining activity in the underlying markets. Global regulators and the public/private sector have

### Working Group on €uro Risk-Free Rates Newsletter February 2020

This newsletter provides an update on the work of the working group on euro risk-free rates (hereafter the working group or WG), and also refers to developments in international markets. If you have questions about the content or would like to subscribe, please contact [CommunicationsEuroRFR@ecb.europa.eu](mailto:CommunicationsEuroRFR@ecb.europa.eu). Feel free to share this newsletter with others!

#### Working group on euro risk-free rate updates

- During the last meeting on 4 December 2019, the chair of the working group on euro risk-free rates presented the planning and key deliverables for the first half of 2020.
- The working group on euro RFRs is in the process of preparing public consultations on Euribor fallbacks for Q2 2020. The consultations are planned to cover the Euribor fallback rate for different asset classes and any adjustment spread, as well as the events that will trigger the activation of the Euribor fallback rate and relevant market conventions. The working group aims to conclude this work with a set of recommendations on Euribor fallbacks by the summer 2020.

#### Market developments

- [Euroxx](#) and [LCH](#) have announced that EUR discounting will switch from EONIA to €STR on 22 June 2020. [CME](#) announced its intention to switch their discounting curve from EONIA to the €STR on 19 June 2020.
- ISDA launched a [supplemental consultation](#) on the spread and term adjustments that would apply to fallbacks for derivatives referencing euro LIBOR, EURIBOR, and other less widely used IBORs.
- The EU Commission [published](#) the endorsement of the IASB phase 1 IBOR amendments in the Official Journal. They provide temporary and narrow exemptions to the hedge accounting requirements of IAS 39, IFRS 9 and IFRS 7, so that companies can continue to meet the requirements assuming that the existing interest rate benchmarks are not altered because of the interbank offered rate reform.
- [Regulation \(EU\) 2019/2089](#) published in the Official Journal in November 2019. This Regulation extends the transitional period for critical and third country benchmarks until 31 December 2021. This means that providers of critical benchmarks have time until this date to comply with the EU Benchmarks Regulation. The Regulation entered into force on 10 December 2019.
- The FSB published the reforming major interest rate benchmarks [Progress report](#).

#### Working group communication toolkit

Update of the communication toolkit:

- [Frequently asked questions](#)
- [Standard set of slides](#)
- [New documents](#)
- [Eonia to €STR key messages](#)
- [Understanding the Euribor fallbacks](#)

#### Recent Working group publications

##### Fallback arrangements for users of the €STR

- The working group has published a report on [€STR fallback arrangements](#). The report explains that the working group has assessed two options for possible fallback arrangements for €STR products.

##### Fallback provisions in contracts referencing EURIBOR

- The working group [recommends](#) market participants to incorporate fallback provisions in all new contracts referencing EURIBOR. Legacy contracts referencing EURIBOR entered into after 1 January 2018 and falling under EU Benchmarks Regulation should be covered by robust written plans. In legacy contracts without appropriate fallback provisions, EURIBOR fallback provisions should be introduced or existing provisions enhanced when they are next amended or updated.

##### Recommendations report to support smooth transfer of EONIA's liquidity to €STR

- Working group issues recommendations for a seamless transition from EONIA to €STR products
- All stakeholders should be made aware that EONIA-linked contracts with maturities beyond 3 January 2022 entail significant risks. This report supplements earlier report of the working group from August 2019.

##### Non-euro working groups status

- The Bank of England (BoE), FCA, and the Working Group on Sterling Risk-Free Reference Rates [published](#) a set of documents, outlining [priorities and milestones for 2020](#) on LIBOR transition.
- The US Alternative Reference Rates Committee (ARRC) released a consultation on spread adjustment methodologies for fallbacks in cash products, and published a new [Newsletter](#) which provides recent working group updates, publications, and information on SOFR Market Liquidity.

## 2. Update on the SG7 governance



### Work streams deliverables:

The three SG7 work streams have created dedicated communication plans for EONIA €STR transition, EURIBOR fallbacks and information for retail customers



### Next steps:

Re-organize SG7 structure with the objective to be more agile and efficient in publication of materials and WG ambassadors support

### SG7 editorial committee

- Will permanently be constituted by SG7 chair, WG chair representative and ECB comms and secretariat
- Will be supported by SG chairs and former three SG7 work stream leaders for relevant topics

### WG ambassadors

- Will spread the WG messages in their respective jurisdictions according to the WG ambassadors guidelines
- Will use SG7 communication tools and materials for their purposes
- Any contact with media will be ruled by WG media procedure
- Activities will be monitored by ECB comms team

### SG7 participants

- Will continue reviewing any SG7 materials beforehand
- Active participation would be organized under a drafting groups scheme

## 3. Update on Ambassador programme

### Ambassador framework

#### Ambassador Definition:

- Group of spokespeople from within the WG to implement local communication efforts across each euro area countries in liaison with NCAs, NCBs, and banking industry associations. They will be acting in their capacity as WG members

#### Mandate of the ambassadors:

- To promote the implementation of the WG communication strategy, focusing on how to approach, inform and educate market participants and improve the visibility of the working group through common communication and outreach actions
- To inform local authorities and industry associations are aware of WG activities, recommendations and explain the need to communicate
- To encourage local authorities and associations to implement communication actions on benchmarks

#### Roles and responsibilities of ambassadors:

- To promote WG activities at local awareness-raising events, preferably with support from local authorities and associations
- To advise on the organisation of events at local level using WG materials and publications
- Permission to use, translate and adapt publications and information material published by the WG and SG
- To participate in networking events for the WG Ambassadors
- To assess local market participants' communication and education needs with regard to WG related issues



### 3. Update on Ambassador programme

## How to tackle your first actions as a WG ambassador?

### Steps to be considered

Please consider the following targets and actions:

#### Target 1:

Raise awareness about the WG on Euro RFR and the WG ambassador concept among the NCAs, NCB and local banking associations

#### Suggested actions:

- Send a letter to the local authorities and national industry associations and in which you raise awareness about the WG on Euro RFR and the WG ambassador concept (unless the contact is already established (see annex 1)).
- Organize meetings with local authorities and local industry associations to further explain the WG on Euro RFR and the WG ambassador concept (*e.g. one meeting with NCA/NCB and meetings with the local industry associations and their members*)
- Discuss how industry associations and possibly local authorities could support the WG ambassador in ensuring that market participants and customers become aware of the impact of the WG Euro RFR



### 3. Update on Ambassador programme

## How to tackle your first actions as a WG ambassador?

### Steps to be considered

Please consider the following targets and actions:

#### Target 2:

Define and specify interactions with local authorities and industry associations

#### Suggested actions:

- WG ambassador and local authorities to discuss and agree what channels should be used for raising awareness of the WG recommendations. We suggest using channels already managed by local authorities.
- Identify and, if possible, reach agreement with local authorities on material to be prepared for communication at country level.
- To promote WG 'products' using own social media (mainly LinkedIn)

#### Suggested actions:

- Identify, with the industry associations and local authorities any additional market and client associations that should be informed/educated by the local industry association, the ambassador and local authorities. (e.g. associations of corporate treasurers, fund and asset managers, retail clients, SME clients)
- Arrange regular meetings with representatives of industry associations and local authorities to exchange views
- Propose (regular) presentation(s) on the work of the WG Euro RFR and any subsequent WG updates within the foras of the local industry associations and authorities (e.g. at board meetings, expert meetings with members to specifically discuss IBOR, roundtables, market outreaches)
- Propose the creation of an expert group for monitoring the IBOR reform, which will receive regular updates on the WG activities.

### 3. Update on Ambassador programme

## How to tackle your first actions as a WG ambassador? Steps to be considered

Please consider the following targets and actions:

#### **Target 3:**

Define ongoing communication flows using media channels to inform on WG activities and recommendations

#### **Suggested actions:**

- Support the local authorities in sending a letter to the identified market and client associations to raise awareness about the WG on Euro RFR
- Support the local authorities in organising a kick-off meeting with those market and client associations to further explain the work of the WG on Euro RFR
- WG ambassador, local industry associations and local authorities to discuss and agree what channels should be used for raising awareness of the WG recommendations. It is suggested using channels already managed by industry associations and possibly by the local authorities.
- Agree on materials to be prepared at jurisdictional level.

### 3. Update on Ambassador programme

#### Governance


When the ambassadors start spreading the words their activities should be followed/monitored and at certain check points summarised to see where we are.

- WG ambassadors actions will need to be reported to ECB a
- Any contacts with media should be in accordance with WG media procedure
- SG7 will arrange recurrent meetings for sharing experiences and best practices
- Ambassadors interaction would be supported by SG7



### 3. Update on Ambassador programme

#### Materials to be aware of

- [WG mandate](#)
- [SG7 terms of reference](#)
- [WG planning](#)
- Deliverables of the working group 
- Communication toolkit:
  - [Presentation pack](#)
  - [FAQs](#)
  - [EONIA to €STR checklist](#)
- WG Newsletter
- WG communication media procedure

#### 1. Recommendations

1. [Recommendations of the working group on euro risk-free rates on the transition path from EONIA to the €STR and on a €STR-based forward-looking term structure methodology](#)
2. [Report by the working group on euro risk-free rates On the impact of the transition from EONIA to the €STR on cash and derivatives products](#)
3. [Recommendations of the working group on euro risk-free rates on the EONIA to €STR legal action plan](#)
4. [Report by the working group on euro risk-free rates on the risk management implications of the transition from EONIA to the €STR and the introduction of €STR-based fallbacks for EURIBOR](#)
5. [Report by the working group on euro risk-free rates On the financial accounting implications of the transition from EONIA to the €STR and the introduction of €STR-based fallbacks for EURIBOR](#)
6. [Report by the working group on euro risk-free rates High level recommendations for fallback provisions in contracts for cash products and derivatives transactions referencing EURIBOR](#)

#### [2. Roundtable materials and speech](#)

### 3. Update on Ambassador programme

#### Annex 1 - Sample letter from the WG ambassador to the local authorities

Dear (local authority member name),

On 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 industry Working Group on Euro Risk-Free Rates (WG Euro RFR).

The working group was tasked with identifying and recommending risk-free rates that could serve as a replacement for EONIA and as fallbacks for EURIBOR, and also with the development of adoption plans. Within the WG euro RFR, a subgroup on Communication and Education has established a communication strategy focusing specifically on how to approach, inform and educate market participants. The purpose of this subgroup is to facilitate a smooth transition with minimal market disruption by raising awareness of the upcoming change among market participants.

As part of this strategy, a WG ambassador role has been defined with a mandate to:

- Approach, inform and educate market participants and improve the visibility of the working group through common communication tools
- Inform local authorities and associations on WG activities, recommendations and reports and explain the need to communicate
- Encourage local authorities and associations on benchmarks in each euro area country to implement communication actions

In (country), (bank name) and specifically myself, will act as an ambassador for implementing local communication efforts in liaison with (country) local authorities and associations.

For this purpose, and in order to clarify my role as an ambassador within the associations you represent, I would like to propose a first call or meeting next week at your convenience.

I remain at your disposal, and stand ready to further elaborate on these topics.

Kind regards,

(Name and surname)

(Position at the bank)

Ambassador of the WG on Euro RFR

### 3. Update on Ambassador programme

#### How to be a good ambassador - Do's and Don'ts

##### Do's

- Check and ensure that any actions that they take are compliant with the rules and regulations applicable to them and their institutions, including competition law
- Know in detail the WG euro RFR mandate, planned deliverables and activities
- Have a high-level of understanding of the WG recommendations (always supported by SG chairs)
- Engage with local authorities and local market and client associations to promote the WG recommendations and materials
- Contact SG7/WG chair to prepare any action before it is implemented.
- Report, track actions and feedback with SG7/WG.

##### Don'ts

- Do not provide advisory services to specific market participants
- Do not discuss topics that are outside the scope of the WG mandate
- Do not give personal opinions and views when acting as WG ambassador