



EUROPEAN CENTRAL BANK

EUROSYSTEM

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FINAL

First meeting of the euro short-term rate (€STR) Oversight Committee

Held in Frankfurt am Main on Wednesday, 4 December 2019

Summary

The role and responsibilities of the €STR Oversight Committee

Attendees were given an overview of the role and responsibilities of the €STR Oversight Committee. It was highlighted that the Committee was an advisory body to the ECB's Executive Board and Governing Council in accordance with Guideline (EU) 2019/1265 of the European Central Bank of 10 July 2019 on the euro short-term rate (€STR) (ECB/2019/19). It was recalled that the €STR was based on euro money market transaction data reported under Regulation (EU) No 1333/2014 of the European Central Bank of 26 November 2014 concerning statistics on the money markets (ECB/2014/48). All members of the Committee had submitted declarations highlighting any conflicts of interest pursuant to the Guideline, which would be published on the ECB's website.

€STR methodology – two-month review

Attendees were given an overview of the €STR's behaviour in the two months since its introduction on 2 October 2019. The €STR had responded smoothly to the reduction of the interest rate on the deposit facility in September 2019 and had shown limited sensitivity to the introduction of the two-tier system for remunerating excess liquidity holdings at end-October 2019. The rate had generally behaved in a manner consistent with the pre-€STR time series.

A review undertaken on the basis of the full MMSR dataset had found that the current scope of the €STR was adequate, as overnight deposits were sufficiently liquid to correctly measure the underlying interest. There was an exchange of views on this issue.

Operational experience with the €STR determination process

Attendees were given a presentation on operational experience with the €STR determination process since the rate's inception on 2 October 2019. The relevant system and procedures had generally operated smoothly, including as regards the reception, checking, compilation and publication of data. It

was recalled that, as of February 2020, summary information on errors in excess of 0.1 basis points would periodically be published on the ECB's website.

The Committee was also informed about the external audit that would be performed in 2020 to assess the €STR's compliance with the IOSCO principles for financial benchmarks, as stipulated in the Guideline. While the IOSCO principles were designed for private administrators and did not apply to central banks, the ECB, as administrator of the €STR, would endeavour to ensure compliance with those principles where relevant and appropriate. An exchange of views took place on this subject. In particular, the Committee stressed the need for adequate maintenance and development of the IT systems supporting the €STR determination process.

Implementation of a complaints procedure

The Committee was informed that the complaints mechanism foreseen in Article 11 of the Guideline had been put in place. It was explained that this mechanism reflected the ECB's commitment to good governance and was in line with the IOSCO principles. As explicitly specified in the Guideline, complaints regarding any aspect of the €STR determination process could be submitted by post. However, with a view to enhancing user-friendliness, a dedicated email address would also be indicated on the ECB's website. The Committee welcomed the implementation of this complaints procedure.

Participants

- Members of the €STR Oversight Committee
- Representatives from the Banca d'Italia, the Banco de España, the Banque de France, and the Deutsche Bundesbank
- ECB officials from the Directorates General Market Operations, Legal Services, Statistics and Secretariat, as well as the ECB's Chief Compliance and Governance Officer