

Agenda

- Update of SG2 Terms of Reference (to be approved by the WG)
- Deliverables of SG2
- Composition and organisation of SG2
 - Allocation between SG2A and SG2B
- Roadmaps for SG2A and SG2B
- Overall timeline and next steps

Deliverables of SG2

- Main tasks for SG2:
 1. Ensure that this benchmark can be calculated by an administrator on a daily basis (e.g. data collection/source)
 2. Engage with potential administrators of this new benchmark
 3. Analyse and make recommendations for how to deal with the spread difference between EURIBOR and an €STR-based term structure
 4. Analyse the existing backward looking methodologies, pros and cons, technical analysis of the potential coexistence with the chosen forward looking methodology
- **SG2 is still considering which supplementary actions could contribute best to avoid any conflict of interest in this second phase**
- → Targeted date is ultimately October 2019, once €STR will be published.

Composition and organisation of SG2

- New composition as of April 2019
- SG2 governance:
 - **Chair:** Dominique Le Masson (BNPParibas), Alternate: Patrick Chauvet (BNPParibas)
 - **Coordinating committee (CoCo)** with 5 permanent representatives:
 - Neil Mc Leod (Erste)
 - Alberto Covin (Unicredit)
 - Carlos Infesta (Santander)
 - Patrick Chauvet (BNPParibas)
 - Dominique Le Masson(BNPParibas)
 - **Two Subgroups:**
 - SG2A will be in charge of the deliverables 3 and 4. The chair will be Neil McLeod.
 - SG2B will be in charge of (i) determining and recommending to the WG the necessary requirements to choose an administrator, (ii) working on the detailed design of the methodology, (iii) assessing regulatory and compliance views on this topic. It will be chaired by Alberto Covin and Carlos Infesta.

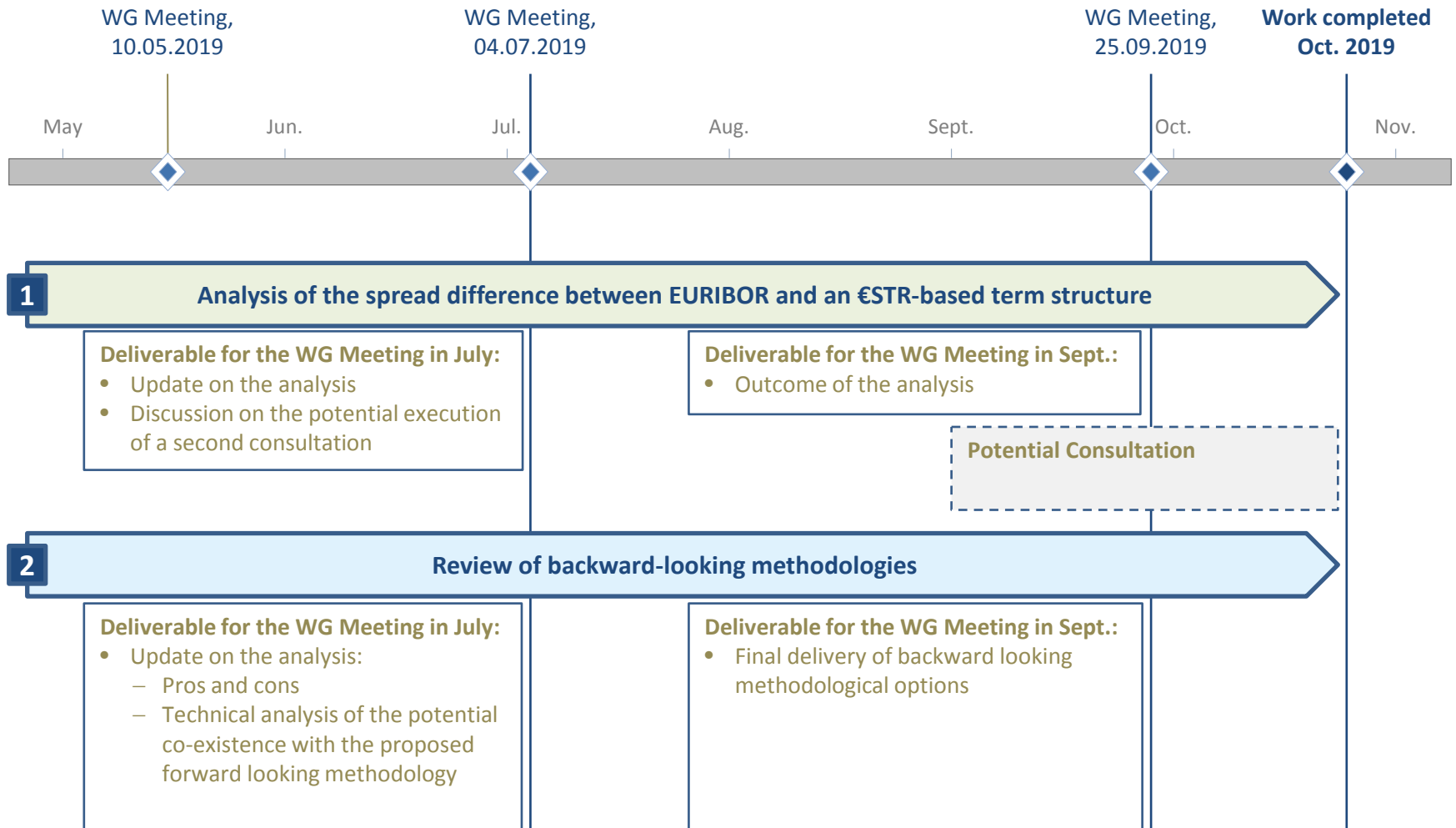
SG2A roadmap & deliverables for 2019

1. Analysis of the various methodologies to calculate a fixed spread, representing the difference between EURIBOR and the €STR-based term structure methodologies.

2a. Review of the various backward-looking methodologies that would be possible providing a summary of Pros and Cons to be used by SG5 in their assessment by asset class.

2b. Provide a technical analysis of the potential co existence with the proposed forward looking methodology.

SG2A roadmap & deliverables for 2019: Timeline

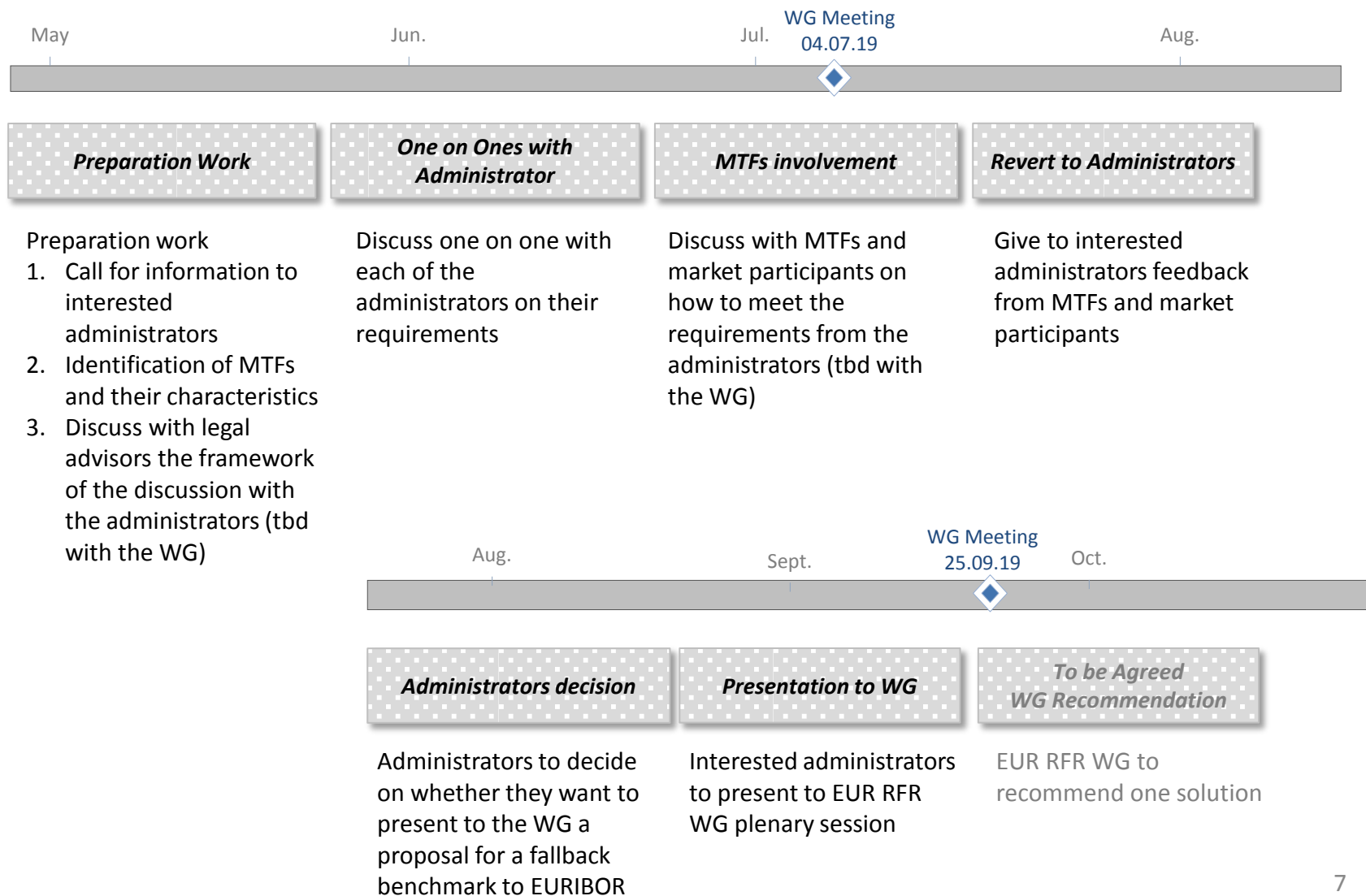


SG2B roadmap & deliverables for 2019

1. Identifying the administrator's requirements for a benchmark
 - Check with SG3 for compliance and conflicts of interests issues
 - Propose a procedure for a call for information to interested administrators → Liaise with the Sonia Group
 - Call could be based on the consultation. Open question: shall it be published on the ECB website?
 - Contact the interested administrators separately and work with each of them on the features of the benchmark
 - Contact the trading venues and market participants to understand their constraints for using their quotes for the fall-back with the administrators
 - Collaborate with SG5 both in work with Administrator and Venues
2. Propose a process to facilitate that a benchmark administrator effectively produce these rates (linked to SG5 deliverable to “establish liquid derivatives markets on €STR”)
3. Define with the WG who will chose the administrator
 - Aim at a single benchmark or let competition do the work?
 - Other groups?

SG2B roadmap & deliverables for 2019:

Tentative timeline



Overall timeline and next steps

While enforcing the necessary coordination and collaboration with other SGs and international fora:

- SG5 for backward vs forward-looking methodologies
- SG5 for a common work on « Establish a liquid derivatives market » together with the chosen administrator
- With other international fora for the administrator procedure's choice and ...

To be done as soon as possible

- Propose and get approved the call for information to interested administrators (written procedure/conference call?)
- Define with the WG who could take the final decision for the administrator?

For the WG meeting of 4 July:

- The review of backward-looking methodologies/pros and cons/ first analysis of coexistence of the 2 methodologies
- The first results of the work done with the administrators, proposal of procedure for the final choice: who and how?
- The first results of the spread difference work: collaboration with ISDA and LMA starts

For the WG meeting of 25 September:

- The final proposals for the spread
- Potential proposal for consultation on Spread
- The final recommendation for the choice methodology of an administrator

October 2019: Tentative target for completion of work