

Working group for alternative NOK reference rates
Meeting minutes
Tuesday, 29 June 2021
Video conference

Attendees:

Vidar Knudsen	DNB Bank
Henning Nilsen	Sparebank 1 Boligkreditt
Espen Teie	Danske Bank
Timothy Fitzgerald	DNB Markets
Karolina Thyman	Nordea Bank Abp
Jenny Ramstedt	Skandinaviska Enskilda Banken AB
Dag Olav Uddu	Sparebankene SMN, Nord-Norge and Østlandet
John Hopp	Sparebanken Vest
Dag Hjelle	SR Bank
Joakim Henriks	Swedbank
Michael Hurum Cook	Finance Norway (observer)
Joar Johnsen	Finans Norway (observer)
Kathrine Lund	Norges Bank (observer)
Olav Syrstad	Norges Bank (observer)
May-Iren Wassås	Norges Bank (observer)
Marit Øwre-Johnsen	Norges Bank (observer)
Fride Marie Pedersen	Norges Bank (observer)

Minutes:

Vidar Knudsen (DNB Bank) presented the meeting agenda, after which Henning Nilsen (Sparebank 1 Boligkreditt) gave a status report on the work in the group for market standards and fallback solutions. He first informed the meeting that Nibor will likely be classified as a critical reference rate. The European Commission recently adopted the proposal, which has now been sent to the European Parliament and the European Council. It was commented that as a result of the Nibor classification, banks may be required to quote Nibor for up to two years, which reduces the risk that Nibor will cease being published anytime soon. There was also a report on the subgroup's work related to the International Swaps and Derivatives Association (ISDA). The first phase is almost completed, which involves incorporating Nowa in ISDA's standard documentation for derivatives (see next paragraph). Remaining work includes work to achieve the calculation and publication of the replacement rate by Bloomberg and the inclusion of a fallback rate for Nibor in ISDA's documentation. The subgroup is also working on a user's guide to Nowa, which will be a practical guide for using Nowa via various market conventions. Publication of the guide is planned for the beginning of September 2021.

Timothy Fitzgerald (DNB Markets) gave a status report on the work of the subgroup for establishing an NOK OIS (overnight indexed swap) market, in which he referred to an updated report published on 24 June 2021. The necessary supplements to the 2006 ISDA definitions will be added within a short time. In mid-May, ISDA published NOK-Nowa as a new alternative reference rate in a supplement to the definitions. However, work remains to include definitions to calculate compounded periodic interest rates based on Nowa. This supplement is expected to be published shortly. Once this is in place, interdealer brokers will be ready to publish indicative prices for NOK OIS, and bilateral trading in Nowa derivatives will then be possible. Several trading platforms have a positive view of facilitating Norwegian

OIS on their platforms. With respect to clearing, LCH is experiencing some delays and plans to implement Nowa in its updates in November. The working group has therefore revised the deadline for the OIS market start-up from Q3 to Q4.

Finally, Jenny Ramstedt (SEB) and Karolina Thyman (Nordea) reported on the work to implement an alternative reference rate in Sweden. It was commented that the test period for the Riksbank's publication of Swedish krona Short Term Rate (Swestr) will conclude end-August. Riksbanken has made some revisions to the calculation method, and the new method will be applied when Swestr is published from 1 July 2021. It will be possible to use Swestr in financial contracts when the test period ends, ie from 2 September 2021.