

## Subgroup for market conventions and fallback solutions

### Meeting minutes

Place: Finance Norway, Hansteens gate 2, 0253 Oslo

Date: Monday 3 February 2020

#### Present:

Henning Nilsen	SpareBank 1 Boligkreditt
Nils Baumann	Kommunalbanken
Trude Merete Berg	Sparebank 1 SMN
Jan Bjørnsen	Handelsbanken
Morten S. Bredeesen	Nordic Trustee
Knut Greiner	SEB
Christian Heggen	DNB Markets
Kathrine Botten Lundgaard	SG Finans AS
Snorre Lyse	BAHR
Lars Mouland	Nordea
Per Erik Stokstad	NoRe
Didrik Thrane-Nielsen	PWC
Simon Døhlen von Krogh	DNB Markets
Andreas Webster	Swedbank

#### Secretariat/observers:

Marit Øvre-Johnsen	Norges Bank (observer)
Michael Hurum Cook	Finance Norway (observer/secretariat)
Joar Johnsen	Finance Norway (observer/secretariat)

#### Chair of the working group on alternative reference rates and external contributors:

Vidar Knudsen	DNB
John Millward	HSBC

#### Minutes:

The minutes of the meeting held on 20 January 2020 were approved without comments to the draft sent prior to the meeting.

John Millward of HSBC outlined the IBOR transition process in the UK and important lessons learned and assessments made in that connection. Communication to the financial market, but also to other parties concerned, was an area of focus. Other conditions that were discussed in particular were infrastructure/IT systems (for both banks and other operators), challenges arising in the interface

between different products and how to deal with instruments with grandfathering provisions in other regulations, in the event changes made to contracts in connection with the work on IBOR (eg MREL instruments).

Vidar Knudsen presented new regulation on the strengthening of the Nibor framework and gave a briefing on the obligations of the panel banks under the new reference rate act. The currency swap market is a very important component in the calculation of Nibor and it was pointed out that fluctuations in the Nibor premium largely show pricing realities in the Norwegian interbank market.

The chair of the subgroup presented the international work on alternative reference rates and the subgroup briefly discussed the various solutions proposed/adopted, and how and to what extent, these have been taken into use in the market.

The subgroup discussed the further process, the scope of the subgroup's mandate and proposed general principles for the work on market conventions and fallback solutions. The proposed general principles are:

- Market conventions for Nowa as the main reference rate or fallback rate should be as similar as possible to those for comparable international reference rates.
- Harmonisation of conventions between different products that use the reference rate should be aimed for.
- Transition from Nibor to the alternative reference rate should not entail a transfer of value between contractual parties.

The group concluded that the chair and the secretariat should draw up a proposal to establish two subgroups to assess fallback language/trigger events etc. and calculation method (spread/forward adjustment) etc, respectively.