

Answers of the European Financial Congress¹ in relation to the European Money Markets Institute's consultation paper on Recommendations for EONIA²

Methodology for preparing the answers

The answers were prepared in the following stages:

Stage 1

A group of experts from the Polish financial sector were invited to participate in the survey. They received the EMMI's consultation document and a form with consultation questions. The experts were guaranteed anonymity.

Stage 2

Responses were obtained from experts representing major commercial banks operating on the Polish market.

Stage 3

The survey project coordinators from the European Financial Congress prepared a draft synthesis of opinions submitted by the experts. The draft synthesis was sent to the experts participating in the survey with the request to propose modifications and additions as well as marking the passages they did not agree with.

Stage 4

On the basis of the responses received, the final version of the European Financial Congress' answers was prepared.

¹ European Financial Congress (EFC – www.efcongress.com). The purpose of the EFC is to promote debate on how to ensure the financial security and sustainable development of the European Union and Poland.

² <https://www.emmi-benchmarks.eu/assets/files/D0088B-2019%20EONIA%20consultation%20RFR%20WG.pdf>

Answers of the European Financial Congress to the consultation questions

Re Section 3. Recalibration of EONIA's methodology

Q1

In view of the Working Group's recommendation, do you agree that EMMI implements the recalibrated methodology for EONIA, whereby EONIA will be defined as the €STR plus a spread? If not, please provide a rationale for your answer.

Yes, we agree. It reduces the need to amend existing contracts and provides enough time to transition to new products and adjust IT systems.

Re Section 4. Discontinuation of EONIA

Q2

Do you consider that the discontinuation of EONIA on 3 January 2022, allows for and promotes the orderly transition of the market away from EONIA to the €STR? If not, please provide a rationale for your answer.

We believe there is enough time for successful transition.

Re Section 5. Implementation of EONIA's recalibrated methodology

Q3a

Do you agree that EMMI should avoid the continued publication of EONIA under the current methodology once the €STR starts being published? Please provide a rationale for your answer.

Yes, we agree. It will allow to avoid unjustified market arbitrage which would make the transition more difficult and longer.

Q3b

Do you foresee any issues arising from the projected implementation date of EONIA's recalibrated methodology on 2 October 2019? Please provide a rationale for your answer.

We do not foresee any major issues. However, there are two operational elements which need to be considered:

- (i) The settlement date for EONIA-based contracts is moved forward together with the fixing date. Settlement currently falls on the date T+1, with T being the fixing date. Under the new methodology, if fixing falls on T+1, settlement should ideally be moved to T+2.
- (ii) One-off spread between €STR and EONIA should be provided/calculated by the ECB.

Re Section 6. Moving EONIA's publication from T to T+1

Q4

Do you foresee any impediments for the preparation and implementation of changes in IT or valuation systems prior to the first publication of EONIA under the recalibrated methodology on 2 October 2019? Please provide a rationale for your answer.

Yes, but manageable. All mark-to-market valuation of outstanding positions is currently done in nightly batch processing. Changing the approach will lead to proxy valuation of the cost-of-carry since the actual rate will be known on T+1. This is likely to affect daily P&L valuations.

Q5

Do you foresee any challenges in the calendar proposed by EMMI to transition EONIA from the current to the recalibrated methodology proposed by the Working Group? Please provide a rationale for your answer.

Yes, but manageable - explained in the answer to Q4.

Q6

Do you agree with EMMI's proposed publication time for EONIA under the recalibrated methodology? Would a publication at or shortly after 11:00 a.m. CET pose a challenge in your use of EONIA? Please provide a rationale for your answer.

Yes, we agree with EMMI's proposed publication time.