

WORKING GROUP ON SHORT-TERM REFERENCE RATE

3. MEETING - MINUTES

May 18, 13:00 – 15:00 CET

1. Welcome

Welcome by Danmarks Nationalbank where it was reiterated that information that could be regarded as competitively sensitive, should not be disclosed or exchanged during the meeting.

2. Presentation by Danmarks Nationalbank: DESTR – Evaluation of underlying data and methodology

Danmarks Nationalbank made a presentation of the conclusions from the new evaluation of the methodology and underlying data for DESTR. The evaluation has been published on June 3 2021 and can be found on the website ([link](#)).

Overall, the conclusions from the public consultation conducted by Finance Denmark in 2019 remain valid. To reflect the analysis of the updated data the threshold for activating the contingency procedure will be updated.

Following the presentation some members mentioned that the decreasing turnover in O/N deposits on the backdrop of the adjustments to the monetary policy instruments should be monitored.

3. Final recommendation from Workstream 1

Workstream 1 (WS1) went through their final recommendation. WS1 has evaluated the potential for a transaction-based reference rate based on unsecured money market, secured money market or FX forward transactions. In the end, the WS1 found that the turnover characteristics in secured money market and FX forwards wasn't suitable for a reference rate. This led to the initial conclusion that a transaction-based reference rate in Danish kroner should be based on unsecured money market transactions.

Two reference rates in Danish kroner refer to unsecured money market transactions: The existing Tom/Next rate administered by DFBB and the proposed DESTR that will be published by Danmarks Nationalbank.

WS1 compared the characteristics of DESTR and the Tom/Next rate, which showed that DESTR has superior turnover characteristics, is more stable and closer tracks the policy rates of Danmarks Nationalbank. On this ground WS1 found that DESTR should be recommended as the preferred short-term reference rate in Danish kroner.

The working group unanimously supported the conclusions from WS1. The final report and recommendation of DESTR as the preferred short-term reference rate in Danish kroner will be published in June 2021 on Danmarks Nationalbank website.

4. Continued discussions on the initial findings from Workstream 2

Workstream 2 (WS2) elaborated on their discussions on the adoption of DESTR and transition from the existing Tom/next rate to DESTR.

The initial thoughts from WS2 on the transition from the existing Tom/Next rate to DESTR showed that the preferred way forward would be the same approach as used in the EONIA to €STR transition. At the same time it was stressed that the workstream remains open for other options for the transition.

Since the previous meeting WS2 has analysed data for bonds, swaps and bank loans referencing the T/N fixing directly or indirectly. It shows that majority of the financial products referencing the T/N fixing will mature within 3-4 years. The maturity profile will be used to inform the discussion on a proper transition period.

5. Next meeting

The next meeting was tentatively scheduled for late June. Depending on the progress in WS2 the next meeting might be postponed until August.