

# WORKING GROUP ON SHORT-TERM REFERENCE RATE

## 7. MEETING - MINUTES

23 August 2022, 13:00 – 14:00 CET

### 1. Welcome

Short welcome to the final working group meeting by Martin Wagner Toftdahl, Head of Monetary Policy Implementation and Government Debt, Danmarks Nationalbank. With the launch of DESTR and planned discontinuation of the Tom/Next rate the goals of the working group has been fulfilled. Therefore, this meeting is the last meeting in the working group.

### 2. Status on DESTR

DESTR was successfully launched on 1. April 2022. The operational framework underlying the publication of DESTR has proved to be resilient and DESTR has been published on time all days since the launch.

The volume in O/N-deposits remains solid, with an average daily turnover used for calculating DESTR around DKK 4.5 billion. In general, the turnover on almost all days remains above DKK 3 billion, with only a few days with turnover below DKK 2 billion. The majority of the turnover is still interbank, however, the volumes from other financials has continued to increase.

The realized variation in the daily DESTR fixings has primarily been driven by changes in the DKK net position (the amount of central bank liquidity available for the monetary policy counterparts of Danmarks Nationalbank). This is somewhat different compared to the turn-effects observed previously in the Tom/Next rate. Danmarks Nationalbank also presented a theoretical framework for pricing the daily DESTR fixings, which supports that the fluctuations in DESTR is primarily driven by changing liquidity conditions.

### 3. Tour de table on the market adoption of DESTR

The preparatory work for trading DESTR OIS swaps is well under way. In late May International Swap and Derivatives Association, ISDA, added DESTR as a Floating Rate Option in the ISDA-definitions, paving the way for trading on standard documentation. The majority of the participating

banks expect to be ready for trading DESTROIS swaps during September 2022. DESTROIS swap prices is also expected to be streamed to market vendors and brokers during September.

In addition, preparations in other systems is well under way with DESTROIS swaps expected to be supported at London Clearing House and Mar-KitWire during Q4 2022 or early 2023.

The trading conventions for DESTROIS will in general follow the conventions used for €STR OIS market.

#### **4. Financial Market Contact Groups**

The mandate of the working group on Short-Term Reference Rate has been fulfilled with the launch of DESTROIS and the planned discontinuation of the Tom/Next rate. To continue the good cooperation with the financial sector, Danmarks Nationalbank plans to establish two new financial market contact groups to remain in close contact with a broad range of market participants on a regular basis. The details of the planned contact groups will be published in due time.