

# Summary of responses to public consultation

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The public consultation by the Working Group on Short-Term Reference Rates on the transition from Tom/Next to DESTR closed on Wednesday 3 November 2021.

In total 3 market participants submitted responses to the consultation. All responses were supportive in regard to the consultation and there was a general agreement to the proposed recommendation.

Question 1:

***Do you see other important product types or exposures referencing or linked to Tom/Next, which should be considered in the transition as described below?***

All respondents agreed that all relevant products were considered in the report.

Question 2:

***Do you agree with the recommendation to follow a similar recalibration approach as used for the EONIA to €STR transition, whereby Tom/Next will be linked to DESTR at a fixed spread until a cessation date?***

All respondents agreed on the recalibration approach as the best transition path from Tom/Next to DESTR.

Question 3:

***Assuming a launch date of DESTR 1 April 2022 at the latest. Do you agree with the suggested cessation date of 1 January 2026? Do you currently have, or expect to take on, exposures that run beyond the suggested cessation date, which you deem to be problematic? Responses should consider the possibility of own mitigating actions, like contract re-negotiations, strengthening of fallback and/or switch language.***

No respondents had to their knowledge, or expected to take on, exposure beyond the cessation date, which could be problematic. Further, there was agreement with the proposed cessation date that allowed enough time for the transition, especially considering the tight link to the Danish mortgage bond market.

A comment was made on the risk that market participants do not actively transition to DESTR due to the long transition period.

Question 4:

***Do you have contracts with no or insufficient fallback language referencing or linked to Tom/Next (tough legacy contracts where verbal support from the authorities would be helpful)?***

None of the respondents has to their knowledge any contracts with insufficient fallback language with respect to Tom/Next.

Question 5:

***Do you agree with a 9-12 months observation period for the spread determination, starting on the 19 March 2021 at the earliest and ending close, but prior to the launch date of DESTR?***

All respondents agreed to the recommended observation period of 9-12 months, although all had comments to the length of the observation period.

One respondent suggested a period of at least 12 months to include the turn effects over a full year in the spread calculation. One respondent argued that the observation period was suitable, but given that a 5-

year observation period is used for LIBOR fallback that could be a viable option. Another respondent commented that it could be beneficial to exclude the first 2 months starting from 19 March 2021 given the more elevated and volatile spread during that period.

Question 6:

***Do you agree that no trimming should be applied when calculating the spread adjustment?***

All respondents agreed that no trimming should apply.

Question 7:

***Do you agree with the recommendation to refrain from entering into new contracts based on Tom/Next one year after the launch of DESTR? Do you consider it realistic?***

The respondents agreed on the proposed. However, it was stressed that market should be aligned regarding the switch of the applied rate in clearing houses.

Further, one respondent commented that it is necessary that a reform or a replacement of the CITA fixings is considered in that regard.