

# WORKING GROUP ON SHORT-TERM REFERENCE RATE

## 6. MEETING - MINUTES

8 February 2022, 13:00 – 14:00 CET

- **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.

- **Status on DESTR launch**

Danmarks Nationalbank summarized the procedure for the spread determination between DESTR and the Tom/Next rate for the Working Group as follows:

- i. The spread is determined by DFBF and Danmarks Nationalbank in coordination and will be published at latest 25 March 2022
- ii. The spread is calculated as a simple average of the difference between DESTR and the Tom/Next rate on each calendar day from 19 March 2021 to 21 March 2022.

Further, ISDA have drafted documents on the inclusion of DESTR into the ISDA 2021 definitions. It is expected to be ready 1 April 2022.

DESTR will be published daily on the website at 10:00 CET. Danmarks Nationalbank is in dialog with market vendors to ensure that DESTR will be available on screens as well. It is expected that during March pre-DESTR will be published daily during the trial period as well.

Year-end effects for DESTR was discussed, since turnover behind pre-DESTR and the rate was very low at year-end. Previously, this has not been evident in DESTR. In general, the Working Group expressed concerns with the year-end effect. However, it was acknowledged that this was a global phenomenon. To ensure that contingency procedure for the calculation of DESTR is triggered for days with very low turnover in the

overnight deposit market regardless of the distribution of the turnover, Danmarks Nationalbank proposed an absolute floor on the turnover for the contingency procedure. The Working Group supported a strict lower bound on the turnover. Going forward a remark was made that year-end effects should be reduced, since leverage-ratio is now an average over the year and resolution fee is expected to fade in the coming years.

- **Market adoption of DESTR**

Danmarks Nationalbank highlighted some of the recommendations made in the report to the market adoption:

- i. No financial contracts based on Tom/Next after 1 April 2023
- ii. Market maker agreement on DESTR OIS
- iii. OIS screens at brokers and market vendors
- iv. Change of discounting on collateral to DESTR

It was noted that work is going on in a Working Group under Finance Denmark in regard to a market maker agreement and DESTR OIS.

- **Next steps**

Danmarks Nationalbank pointed out that the mandate of the Working Group has been accomplished. However, the Working Group is expected to meet again in early summer to discuss the launch of DESTR.