

**SG#5 - Cash & derivatives products
Phase II**

**Presentation for the Working Group on euro RFR
Meeting**

Frankfurt, 29 August 2019

Agenda

1. Phase II objectives
2. Timeline
3. Next steps

1. Phase II Objectives

Topics covered in the report published on August 19, 2019:



- Detail the discounting regime to enable the transition from EONIA to the €STR
- Design a possible methodology for closing out or transitioning legacy EONIA exposure. In particular, a possible compensation mechanism to smooth out the effects of the transition from EONIA to the €STR
- Identify use cases for the €STR in cash products
- Identify possible system and infrastructure issues that will arise due to the transition, and provide guidance for market participants to mitigate those issues


Objectives to be addressed in the second phase:



- **Goal 1:** Explore measures to ensure establishment of a **liquid €STR derivatives market** necessary to construct the recommended €STR-based term structure methodology as a fallback to EURIBOR and a **cash products market**
- **Goal 2:** Analyse and propose recommendations concerning (i) how the €STR-based forward-looking and backward-looking term structures can co-exist as potential **fallbacks to EURIBOR** and (ii) the most relevant EURIBOR fallback methodology for each financial product (*input provided by subgroup 2 to be used as the starting point*)

*In this phase, the SG5 group will be split into **two drafting teams focused on (1) Derivatives and (2) Cash products** (securities, unsecured cash products).*

2. Milestones and Timeline

Milestones	Timing
 SG5 Phase II kick-off (Goal 1): joint call with all participants, presentation of objectives, group structure and timeline	September 3, 2019 <i>(proposed date)</i>
SG5 first telco: joint call to discuss drafting status	September 13, 2019
SG5 second telco: joint call to discuss drafting status	September 27, 2019
SG5 third telco: alignment and discussion on last open points and definition of preliminary draft	October 7, 2019
Send preliminary draft to the ECB	October 9, 2019
Meeting in Frankfurt and discussion of the draft report/presentation on Goal 1	October 16, 2019
Finalisation of the draft report/presentation on Goal 1	October – December , 2019
Start working on Goal 2	October 21, 2019

3. Next steps

1. Setting up drafting teams and structuring of work for the second set of goals, in particular for Goal 1
2. Delivery of the first draft of the report (Goal 1) on October 16, 2019