
The international reform process so far and the importance of interest rate benchmarks from a central bank perspective

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Joint Event SIX Swiss Exchange and SFAA Swiss Bond Commission
Zurich, 22 September 2017

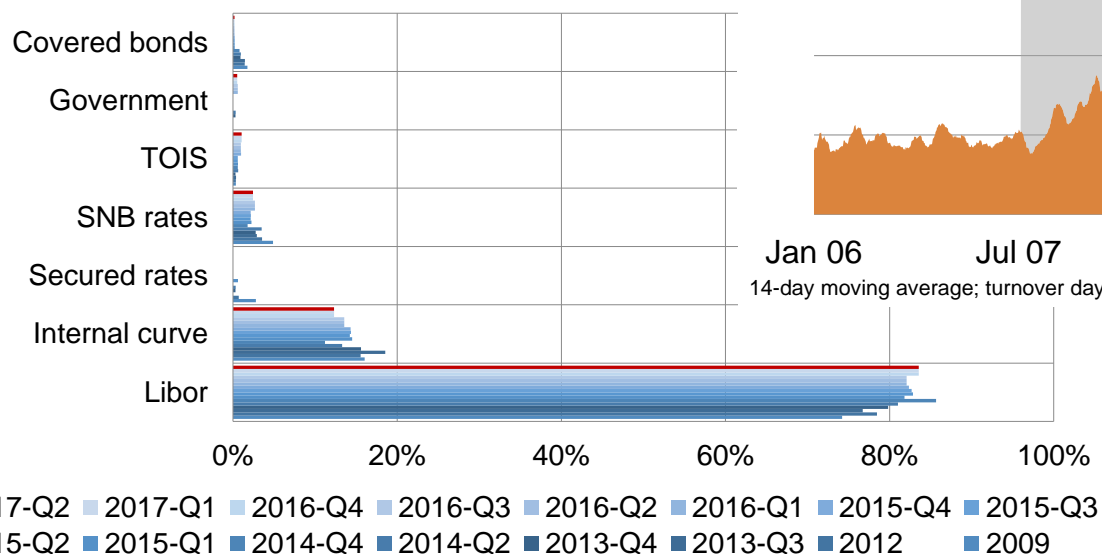
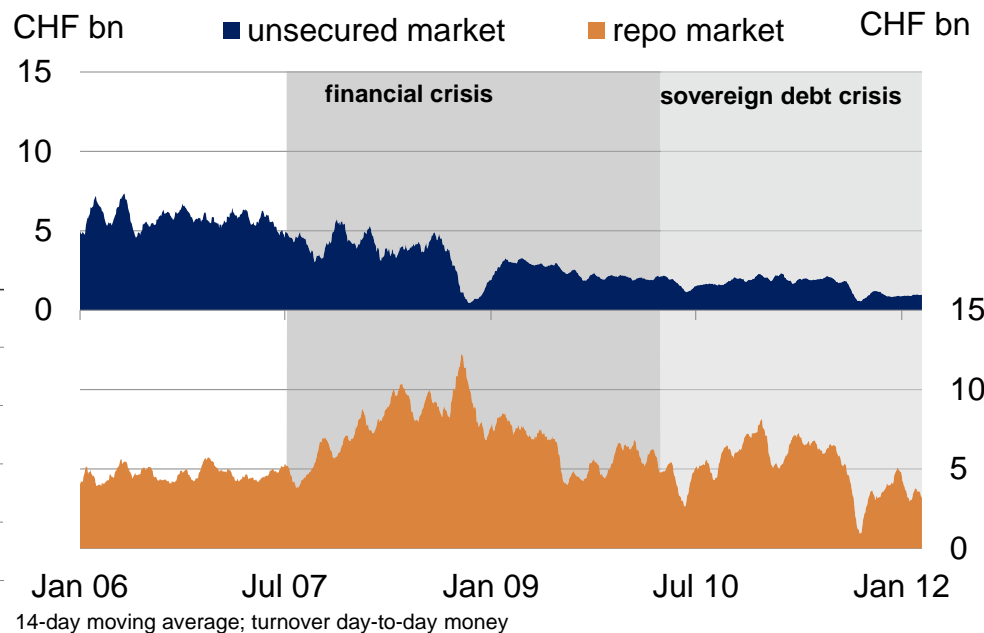
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Overview

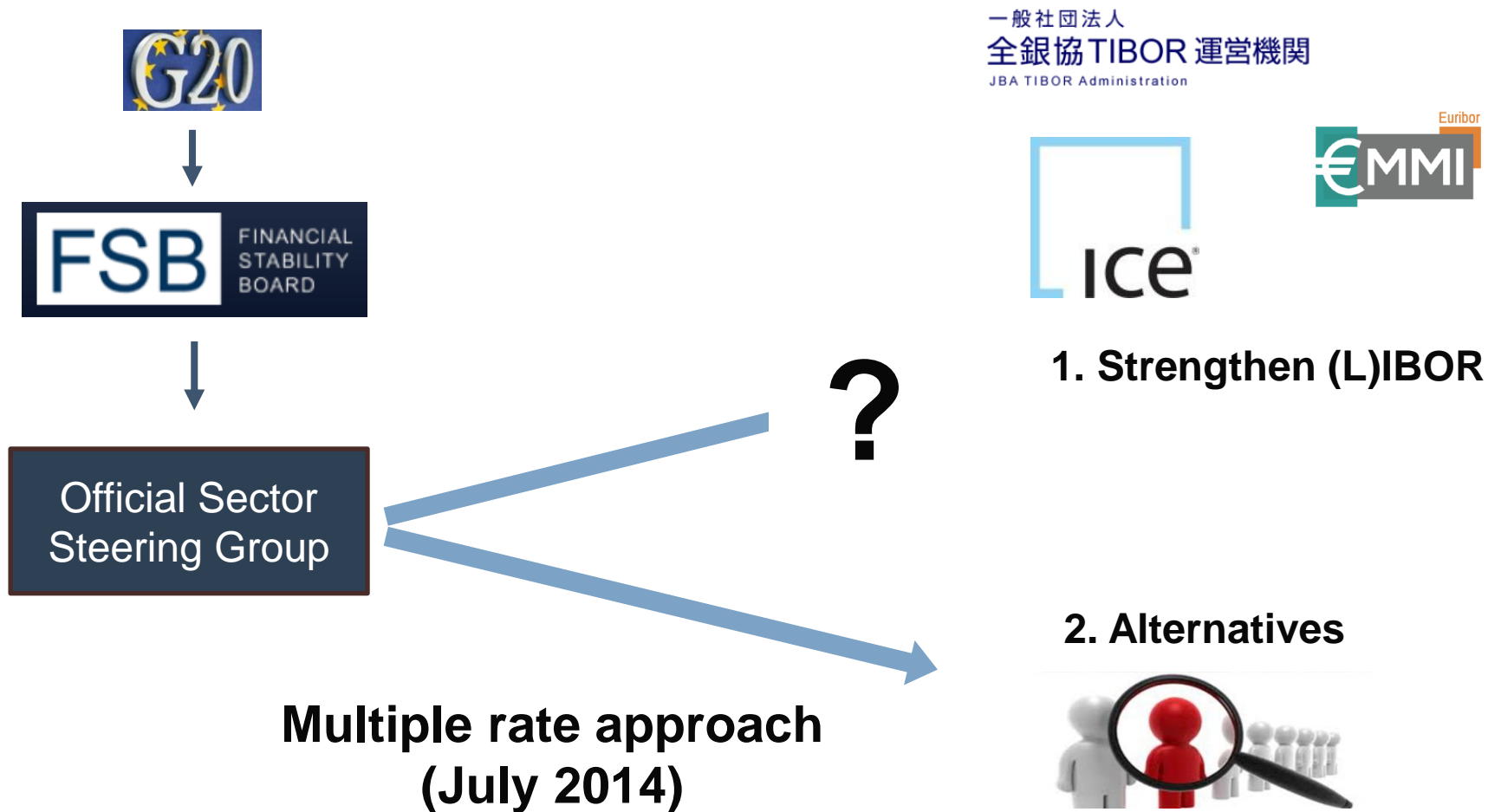
Reference rate estimated notional volumes and maturity concentrations

Rate	Currency Type	Notional o/s (STN) ¹	Main Maturity Concentration
LIBOR	USD	\$150–160 TN	1 week, 1m and 3m and 6m
	GBP	\$30 TN	3m; then 1m & 6m
	JPY	\$30 TN	3m and 6m
	CHF	\$6.5 TN	3m and 6m
	EUR	\$2 TN	Low across all tenors
EURIBOR	EUR	\$150–180 TN	1m, 3m and 6m
TIBOR	JPY	\$5 TN	6m and 3m

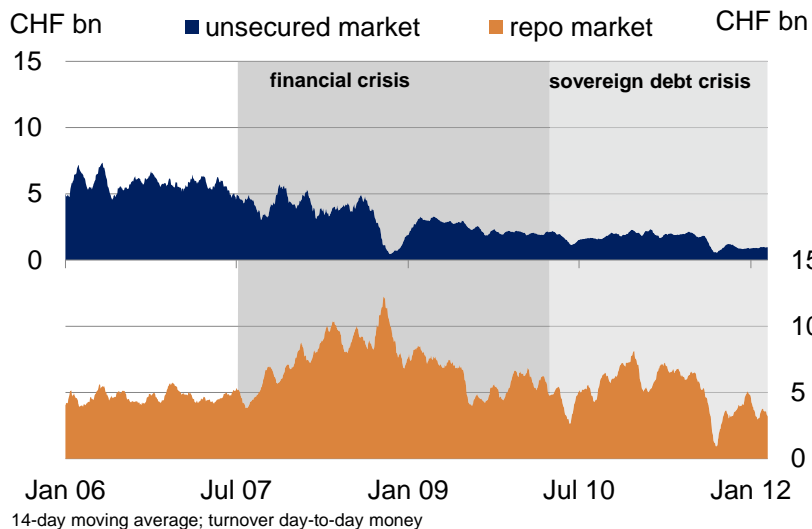


Source: SNB, FSB (Reforming major interest rate benchmarks, 2014)

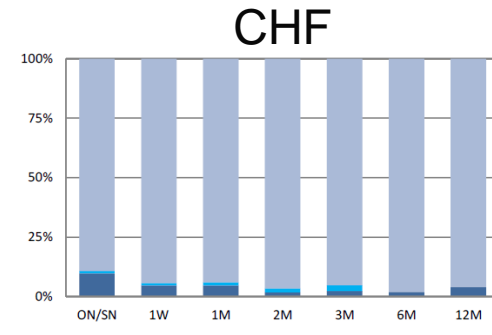
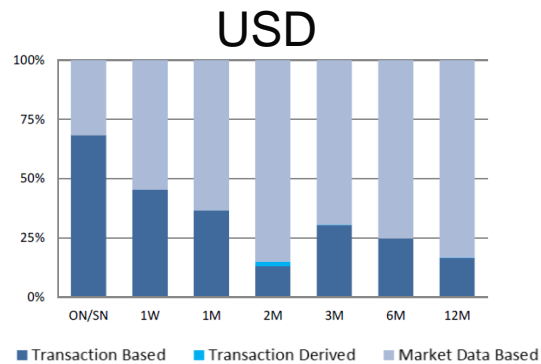
Coordinated international response: FSB recommendation



The long series of Libor reforms ...



... and their limits, the true problem of Libor



Source: SNB, IBA

Milestones achieved and the likely end of Libor

Market consultation



Oversight Committee



IOSCO Principles



Three general reform milestones

Summary of Libor reforms



FCA speech



End of FCA support



Transition planning should begin now

Jan 2017

July 2017

End 2021

Alternatives to Libor



**Broad Treasuries
repo rate, but not
yet finalised**



**SONIA, as the
preferred choice**



**EONIA, or a
another rate?**

**But focus on
Euribor**



TONAR

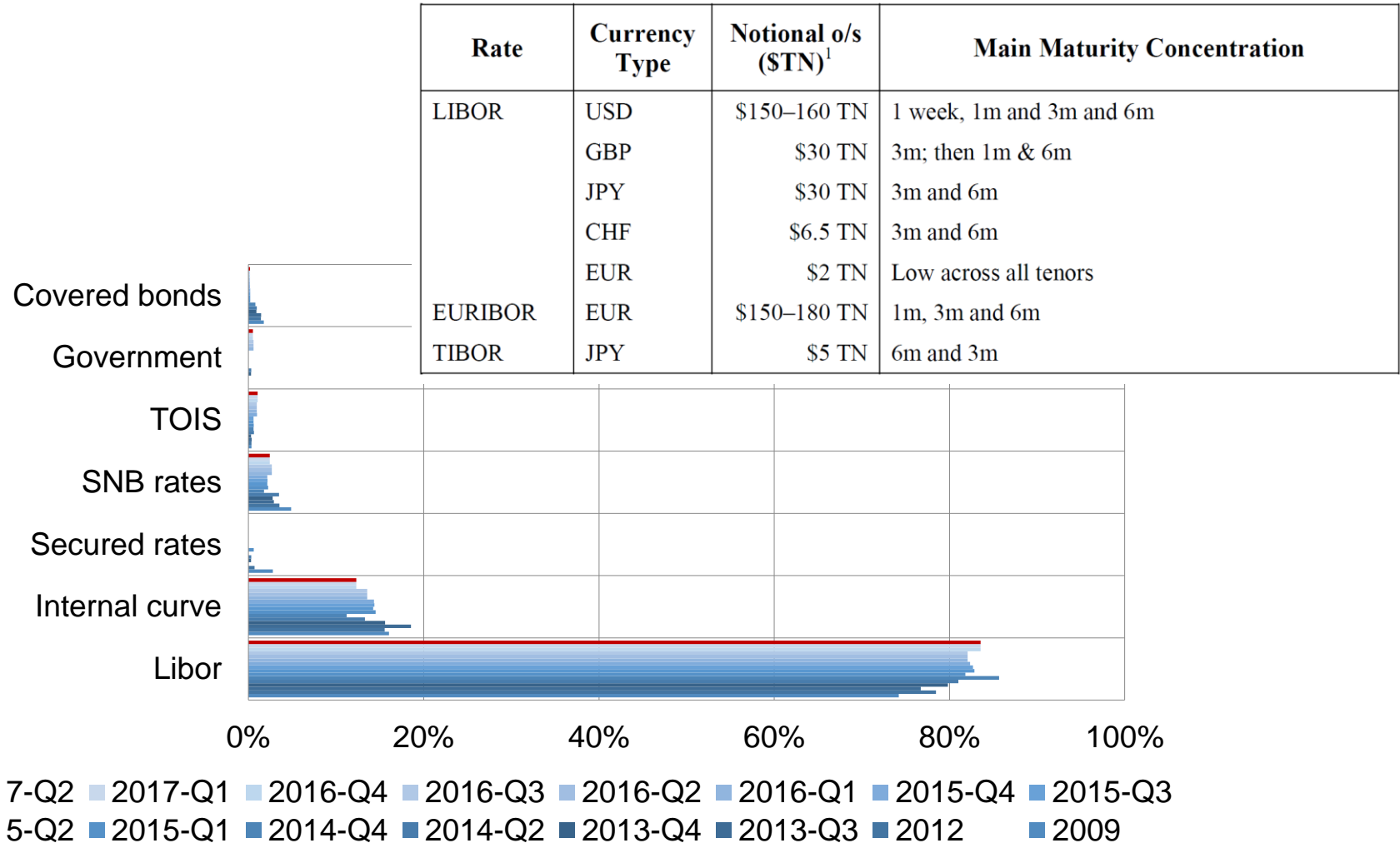
**But focus on
Tibor**



SARON

Dominance of Libor in financial products

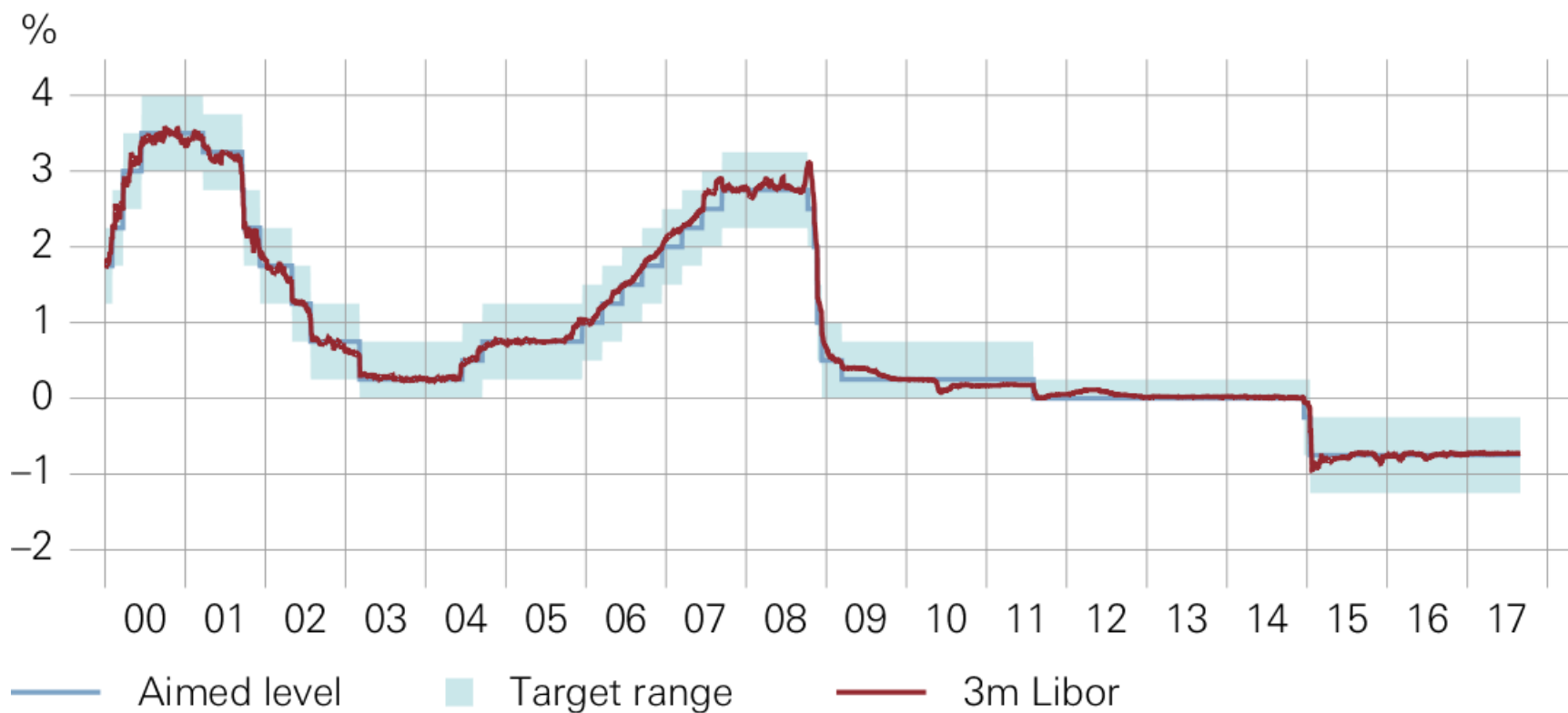
Reference rate estimated notional volumes and maturity concentrations



Source: SNB, FSB (Reforming major interest rate benchmarks, 2014)

Swiss franc Libor as monetary policy benchmark

TARGET RANGE FOR 3M LIBOR

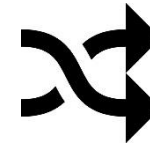


Source: SNB, Bloomberg

Importance of benchmarks



**Price transparency
and discovery**



Usage in derivative products

→ Private sector remains responsible

- Lock-in-effect hampers transition away from Libor
- Authorities will continue to guide market participants
- Transition planning should begin now

INFORMATION ABOUT

INFORMATION FOR

Media

Financial markets

Monetary policy operations

Primary market for Swiss Confederation bonds

Swiss Reference Rates

US dollar auctions

Events

Reform of benchmark interest rates

Overview and documents

Participants

Research

Careers

Shareholders

General public

Print

Reform of benchmark interest rates

The national working group on Swiss franc (CHF) reference rates (NWG) is the key forum for considering proposals to reform reference interest rates in Switzerland and discussing the latest international developments. The NWG was founded in 2013 and has since been guiding the reform process relating to CHF reference interest rates. The NWG is co-chaired by a representative of the private sector and a representative of the SNB. The group is open to representatives of domestic and foreign banks and specialists from other sectors of the finance industry. Banks not yet represented in the NWG are welcome to join. The Swiss Financial Market Supervisory Authority (FINMA) is invited as an observer.

National working group governance

The SNB supports the efforts to reform benchmark interest rates being undertaken at national and international level. At national level, this includes co-chairing the NWG alongside a representative from the private sector. NWG recommendations are not legally binding. Decisions on recommendations are passed with a simple majority of the votes cast at the meetings. As market participants are responsible for providing reference interest rates, the SNB abstains from voting and acts primarily as a moderator. Furthermore, the SNB runs the NWG's technical secretariat and facilitates the organisation of the meetings. In this capacity, the SNB also provides this section on its webpage for publishing NWG minutes as well as other material on the progress of the reforms. The items published do not necessarily reflect the views of the SNB.

FURTHER INFORMATION

10.10.2016	Summary of reform efforts until 2016	PDF (23 kB)
10.10.2016	Minutes - 13th Meeting of the Working Group, 24 May 2016	PDF (31 kB)
17.11.2016	Minutes - 14th Meeting of the Working Group, 27 October 2016	PDF (48 kB)
22.02.2017	Minutes - 15th Meeting of the Working Group, 26 January 2017	PDF (60 kB)
22.02.2017	Discontinuation of TOIS fixing and replacement with SARON	PDF (97 kB)
22.02.2017	Draft-template for a SARON Swap confirmation	PDF (48 kB)
08.06.2017	Minutes - 16th Meeting of the Working Group, 15 May 2017	PDF (41 kB)

Thank you for your attention!

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