



OPENING OF THE CONFERENCE ON THE “ADAPTATION OF INTEREST RATE BENCHMARKS TO THE NEW EUROPEAN REGULATION ON BENCHMARKS”

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Good morning everyone:

First of all, I would like to **thank** you all for attending this conference. We would like to express our satisfaction for such a positive response to this conference, which undoubtedly, shows the interest in the issue that we are going to discuss today, which is the **adaptation of interest rate benchmarks to the new European regulation on benchmarks and the implications** that these reforms may have on all market participants.

The CNMV, as the competent authority in Spain for the application of the new regulation on benchmarks (Regulation (EU) 2016/1011), is in the process of implementing and **promoting the knowledge and adaptation to this regulation** by financial institutions and other companies, which use interest rate benchmarks in their financial and capital market transactions. And, for this purpose, we are currently engaged in information dissemination activities and clarifying doubts. This is precisely the objective of this Conference, which was included in the CNMV's Activity Plan for 2019.

The reform of the interest rate benchmark that we are going to analyse here today, as is well known, has been **promoted by G20 and the Financial Stability Board (FSB)**, following a series of incidents of manipulation of key benchmarks. In line with this, the reform requires current benchmarks to **adapt their governance and calculation methodology, and promotes the incorporation** of new **risk-free rates** in the financial system.

As these benchmarks play a **crucial economic role**, it is necessary to strengthen their soundness and ensure their sustainability in order to preserve **financial stability**. And the transition to the new scenario presents a significant number of **challenges** that we are going to analyse here today from a dual perspective: the regulatory and private sector standpoints.

In Europe, these reforms have triggered the approval of the Regulation on benchmarks that I mentioned a moment ago, and which obviously includes the elements that I have also stated just now (the obligation of adapting the governance of the benchmarks and their calculation methodology). In the **euro area**, a **Work Group** has been created, driven by the ECB, the European Commission, ESMA and the Belgian FSMA (as supervisor of the administrator of Euribor and Eonia, which is located in Brussels). Industry members also participate in this group, **which is responsible** for: (i) identifying risk-free rates that may be used as an alternative to current benchmarks; (ii) defining paths for an orderly transition; and (iii) strengthening the soundness of current and future contracts in which benchmarks are used.

Furthermore, in the **euro area**, **the changes consist of**, firstly, the provision of a **new short-term rate** to be published by the European Central Bank from 2 October 2019, the €STR (Euro Short-Term Rate). Secondly, the **reformulation of EONIA** – as the €STR plus a spread - until its cessation at the end of 2021. Also, the **adaptation of the Euribor** to the European regulation. And finally, the **provision of term rates** based on the €STR, which may be used as an alternative to certain contracts.

Similar changes are taking place in **other jurisdictions**. The most relevant is undoubtedly that relating to **Libor**, whose cessation is scheduled as from 2022.

To explain all of this, representatives of institutions and entities which have directly participated in defining and implementing all of these new features are today attending this conference.

- Firstly, Tilman Lueder, who is the head of Securities Markets at the Directorate-General for Financial Stability, Financial Services and Capital Markets Union of the European Commission, who will be offering a general overview of the ongoing reforms and future challenges from the European Commission's perspective.
- Secondly, given the important role of the European Central Bank in the reform, and in particular, in the publication of the new short-term rate, the €STR, Mikael Stenström, who is senior advisor at the Directorate-General for Operations of the European Central Bank, is also going to share his views. Mikael is going to present the ECB's views on the importance of benchmarks, the introduction of the €STR, as well as on the challenges of consolidating the new benchmark

Two round tables, formed by experts and moderated by the CNMV, will then follow:

- The first panel is going to discuss the recommendations of the Work Group on risk-free rates in the euro area, as well as the situation in other jurisdictions, particularly regarding the status of Libor. Representatives of entities that are participating in the work group are going to speak in this panel, specifically BBVA, Santander and Caixabank, EMMI, the administrator of the Eonia and Euribor benchmarks, as well as IOSCO, which is playing an important role at international level in the dissemination of the reforms, and especially, since in 2013, it published the Principles which served as the inspiration for the reform.
- In the second panel, which is going to address the implications of the reforms, experts from various sectors are going to discuss the impacts of the reforms and their view on how to address these impacts. Representatives of the Bank of Spain, as well as of industry associations, the banking associations AEB and CECA, as well as representatives of EY and Bolsas y Mercados Españoles, are going to participate in this panel.

At the end of each round table discussion, **the attendees** may raise their **doubts and queries** to the speakers.

In the latter part of the session, **Steven Maijoor**, chairman of ESMA, the European Securities and Markets Authority, is going to discuss the role currently played and to be played by ESMA upon entry into force of some of the regulatory amendments that are about to be published, and which among other matters, grant ESMA the power to supervise the administrators of critical benchmarks.

And, finally, the Conference is going to be closed by the **Chairman of the CNMV**.

Before I give the floor to the first speaker, I would like to **reiterate our gratitude** to the attendees for their presence here today. And, of course, I would also like to thank the speakers and panelists who are going to participate this morning for collaborating and contributing to the **common objective** of disseminating these reforms on benchmarks and promoting the adaptation of the markets and their participants.

Thank you very much.