

Summary of reform efforts until 2016

Market participants assembled in the NWG have expressed a clear preference to continue using CHF Libor. So far, the NWG has focused its work on the two short-term reference rates fixed in Switzerland, which are the TOIS fixing¹ and SARON.² The TOIS fixing is a panel-based reference rate based on the unsecured tomorrow/next market. It is currently used as the floating leg for overnight index swaps in Swiss francs (TOIS curve). Other uses of the TOIS fixing include valuation of interest rate swaps (IRS) and remuneration of collateral used to collateralise swaps.

In 2013, the number of banks in the TOIS fixing panel significantly decreased and an abrupt discontinuation was imminent. Intensive work by the NWG led to reforms in the TOIS fixing and allowed for a stabilisation of the situation. However, the number of panel banks remained at an undesirably low level. Since then, the administrator of the TOIS fixing (ACI Suisse) has conducted intensive search efforts to increase the size of the TOIS fixing panel. To date, these search efforts have been unsuccessful. In 2014, the NWG established a sub-group to analyse the possibility of establishing a platform for unsecured money market transactions. Such a platform could have been used to underpin the TOIS fixing with actual transactions. However, the NWG concluded that market activity would not be sufficient to calculate a transaction-based fixing. In 2015, the NWG established another sub-group, called the sub-group for alternative CHF reference rates (CHF ARR), to evaluate whether the TOIS fixing was viable and was the preferred choice in the long run; to identify or develop alternative reference rates which would represent best practice for use in certain derivative contracts; and to identify necessary reforms in order to strengthen SARON. In January 2016, the NWG decided that the TOIS fixing was not the preferred choice in the long run and reform efforts have accordingly been deprioritised. The NWG turned its attention to SARON, the overnight secured rate, which is based on actual transactions and binding quotes (from the SIX repo platform). SARON was established back in 2009, together with the other tenors of the Swiss Reference Rates, and has been calculated back to 1999. The NWG therefore requested the CHF ARR to consider issues arising in the transition from TOIS fixing to SARON; assessing reforms for SARON; and reaching out to a broader group of market participants. These works are ongoing and will be discussed at the NWG meeting in October 2016.

¹ For further information on the TOIS fixing, cf. www.cosmorex.ch/index.php?active=f_41&lang=1033 and www.acisuisse.ch/en/news/42/.

² For further information on SARON, cf. www.six-swiss-exchange.com/indices/data_centre/swiss_reference_rates/reference_rates_en.html and www.snb.ch/en/ifor/finmkt/id/finmkt_repos_saron.