

Sub-Working Group “Loan and Deposit Market” Terms of Reference

Background

The National Working Group on CHF Reference Rates (NWG) is the key forum for considering proposals to reform reference interest rates in Switzerland and discussing the latest international developments. At the meeting on 5 October 2017, the working group recommended SARON as the alternative to the Swiss franc Libor and decided to form two sub-working groups. The “loan and deposit market” sub-group (the “Sub-NWG L&D”) will focus on the loan and deposit segment and the “derivatives and capital market” sub-group (the “Sub-NWG D&C”) on derivatives and capital market instruments.

Governance

The Sub-NWG L&D is committed to promote a fair, competitive and effective loan and deposit market for retail and corporate clients, both in the transition from CHF Libor to SARON as well as in the post-Libor world. The participants will bring in their expertise about client preferences and current lending and deposit product value propositions. Sub-NWG L&D members are subject to confidentiality and competition law.¹ The Sub-NWG L&D will report its progress on the objectives stated below at forthcoming meetings of the NWG. Based on the results and proposals of the Sub-NWG L&D, the NWG will coordinate and recommend next steps. The Swiss National Bank runs the technical secretariat and facilitates the process, e.g. by hosting roundtable meetings and publishing documents on its webpage.

Objectives

The objectives of the Sub-NWG L&D are to

- *Affected products.* The Sub-NWG L&D will identify retail and corporate loan and deposit market products that are affected by the transition away from Libor.
- *Stakeholders.* The Sub-NWG L&D will identify and reach out to all relevant stakeholders.
- *Loan and deposit market requirements.* The Sub-NWG L&D will analyse the requirements to establish an effective SARON based loan and deposit market for retail and corporate clients.
- *Benchmark.* Evaluate appropriateness of SARON and SARON based benchmarks (e.g. compounding) for loan and deposit markets.
- *Transition plan and metrics.* The Sub-NWG L&D will propose a timeline and identify observable metrics that reflect the successful adoption of SARON and SARON based

¹ See the NWG’s subsection on the SNB’s website: https://www.snb.ch/en/ifor/finmkt/fnmkt_benchm/id/finmkt_reformrates

benchmarks as the alternative to CHF Libor. This includes evaluating different transition scenarios for existing contracts and identifying the need for industry-wide initiatives.

- *Communication plan.* The Sub-NWG L&D will propose to the NWG a communication plan to inform a broad group of market participants, including end users, on the progress of work.
- *International comparison.* The Sub-NWG L&D will review and consider comparable efforts in other currency areas.
- *Operational readiness and progress of the transition.* The Sub-NWG L&D will reach out to market participant in order to review their operational readiness and the progress of a possible transition away from Libor.
- *Contract robustness.* The Sub-NWG L&D will consider the work done on contract robustness and propose best practices that ensure that contracts are resilient to the possible cessation or alteration of a benchmark.

Membership

The Sub-NWG L&D shall remain open for everyone. However, for the sake of efficiency and to provide timely results, it shall remain of manageable size. Specifically, Sub-NWG L&D members should be designated experts in the field to be covered and have sufficient resources to provide added value to the discussions in the group. In case of too much demand for participation, the two co-chairs of the NWG may limit the number of participants.