

Minutes of the 1 April 2019 teleconference call between CFOF representatives and EIOPA on the change in data provider for the risk free rate from Bloomberg to Thomson Reuters (TR)

Attendees

CFOF: Marco Broekman (MB) - AXA, Hugh Francis (HF) - Aviva, Hilco Polman (HP) - Aegon and David Van Der Merwe (DVDM) - Prudential

EIOPA: Florentin Harbich (FH) - Project Lead, Ana Teresa Moutinho (ATM) - Head of Supervisory Process Department, Enrique Martinez (EM) - Project Manager

CFOF/CROF messages

1. Companies are set up to operate using Bloomberg it was important to understand EIOPA's proposals around timing of the change and any proposed phasing in periods.
2. Companies concerns are largely about how the change would work in practice explaining that for month end reporting insurers tended to anticipate the EIOPA publications rather than wait for the rates to be published, while highlighting the need to recalibrate systems and processes.
3. As we understood that EIOPA had compared the TR to Bloomberg output in terms of tickers, we are keen to understand any gaps identified in this process, including the more operational aspects of the change and knowing the impact in terms of tickers in the data.
4. Practical points raised on the need to acquire new licenses. This may require the insight on the exact data needed.
5. Important to understand how the changes might impact month end processes, not just for reporting but also risk management.
6. Questions still exist around how the TR data would communicate with systems as compared to Bloomberg.
7. Use of historical data is an issue and particularly EIOPA's response to the forum's email which stated that data would not be applied retrospectively. Specific concerns noted on how this might impact long term spreads and questioned the possible need to have different licences for current and historical data.

EIOPA insights and responses

8. FH explained that EIOPA had gone through a procurement exercise in selecting TR and had considered its impact on data on government bonds, swap rates and all inputs into the credit risk adjustment. He added that the TR data integrated into their systems very well and that plans to make additional information available to insurer's in Q2 2019 were still on track.
9. FH explained that EIOPA had also integrated the TR system with its own risk free rate term structure software and this took two weeks to implement. He explained that EIOPA had also compared the input and output results for most currencies and there were negligible differences between TR and Bloomberg data. The differences were on the less liquid currencies (e.g. not the EUR). He highlighted that a small number of immaterial issues existed but he expected these to be resolved quickly. He explained that EIOPA proposed to provide a new version of the risk free rate software to show how it performed its calculations.

10. On the CRA, FH said that for Euros this was fixed by the data provider (on Euribor) and the rates were exactly the same as those in Bloomberg, for EONIA there were only minor differences. On LTRF's the plan was not to over write current historical data but to add TR data to the existing data series as there were no material differences between both.
11. ATM added that feedback and input from the CFOF would be welcome post publishing of further information in Q2 2019. She said she envisaged possibly allowing 6 months from the publication in Q2 for the implementation but that discussions would be held with the forum to decide on the ideal implementation date.
12. ATM asked if members had taken any steps to acquire the new licenses? We explained that this would require proper decision-making before proceeding and e.g. we needed to know the risk identifiers in the data and the various offers proposed by TR and that the publication in Q2 2019 would help these conversations along. ATM acknowledged the difficulty in this situation but highlighted that members would need a licence in place to challenge data published in Q2 2019. She concluded that it would perhaps be best for EIOPA to proceed with the publication in Q2 2019, receive feedback from members and then agree on the implementation date. She stated clearly that EIOPA would not be publishing an implementation date in Q2 2019.
13. On the negligible differences found in the data. FH said that these related to the more illiquid currencies and did not impact the Euro for example. FH added that he expected these issues to be addressed quickly and before publishing in Q2 2019.
14. On next steps it was agreed that a subsequent teleconference would be set up after publication to enable members provide feedback and comments.