

Operational impact of the IBOR transition

Pension funds, insurance companies and asset managers

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23 September 2020



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The better the question. The better the answer.
The better the world works.



EY

Building a better
working world

Let's have a look at the Euro market



EURIBOR



Hybrid
EURIBOR



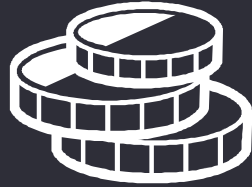
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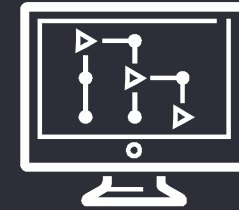
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The IBOR transition impacts you in the following areas



Investments



Processes and systems



Contracts and documentation



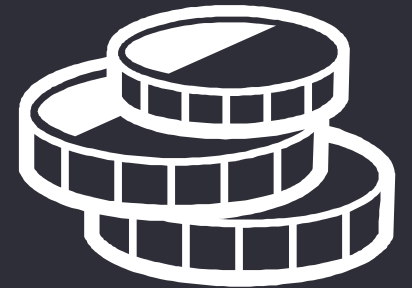
Models



Where are investments impacted and what actions to consider?

- ▶ Instruments in current portfolio:
 - ▶ Derivatives (e.g. Interest rate swaps, swaptions)
 - ▶ Mortgages
 - ▶ Fund investments
 - ▶ Floating rate products
- ▶ New investments
- ▶ Hedges
- ▶ Liabilities
- ▶ Role/responsibility of the asset manager

- ▶ Obtain understanding of IBOR impact on balance sheet
- ▶ Hold dialogue with asset managers
- ▶ Understand and monitor valuation impacts
- ▶ Assess whether hedges are impacted



Where are contracts impacted and what actions to consider?

- ▶ IBOR references in current derivative contracts and CSA
- ▶ IBOR references in loan documentation
- ▶ Available and applicable fallback language
- ▶ Fund documentation (prospectus) referencing IBOR
- ▶ Z-score process and benchmarks 'normportefeuille'
- ▶ Pension and insurance contracts based on IBOR
- ▶ Any other contracts including IBOR component
- ▶ Role/responsibility of the asset manager

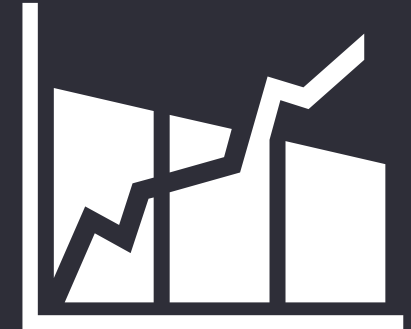


- ▶ Analyse contracts
- ▶ Discuss with asset manager
- ▶ Repapering actions
- ▶ Follow market developments closely (e.g. ISDA standardisation)



Where are models impacted and what actions to consider?

- ▶ Asset valuation models
- ▶ Hedging models
- ▶ Other models (prognosis, risk) performance measurement
- ▶ Liability valuation (FTK, SII)
- ▶ UFR methodology
- ▶ Internal models versus model used by asset manager

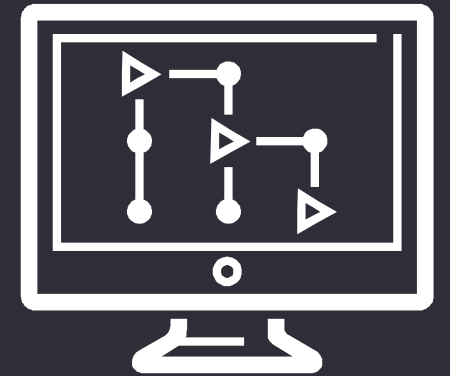


- ▶ Obtain model inventory
- ▶ Determine which models need to be updated
- ▶ Who is responsible → dialogue with asset manager



Where are systems impacted and what actions to consider?

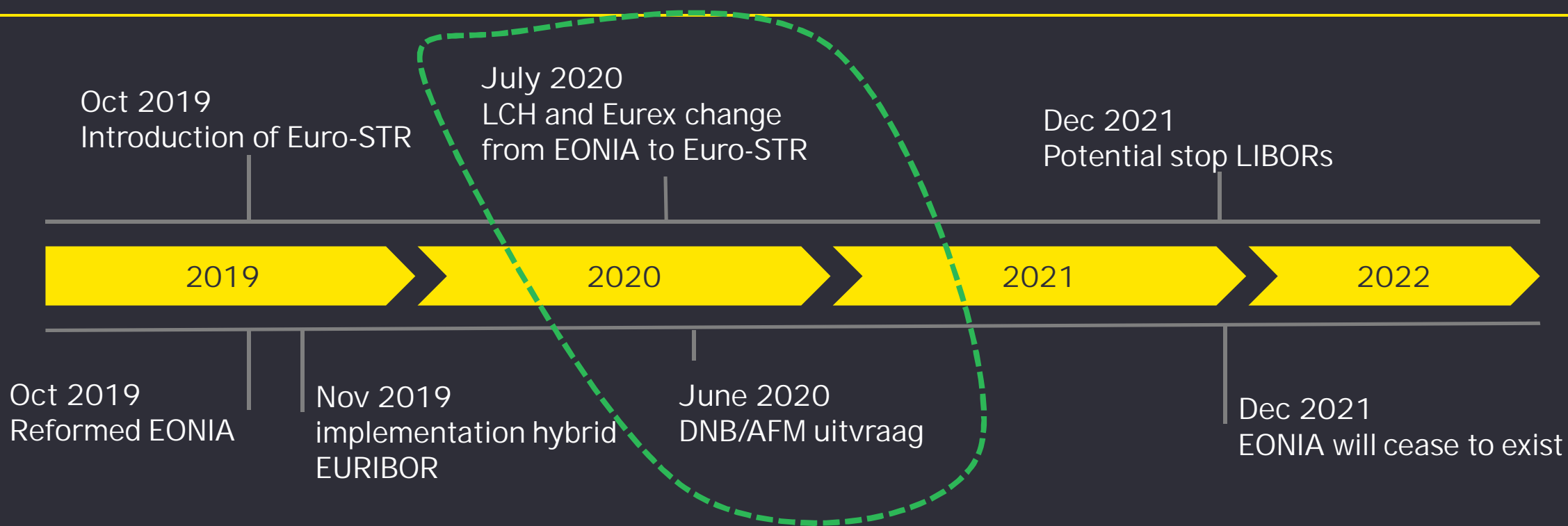
- ▶ Internal processes/systems
 - ▶ Hedging
 - ▶ Risk management
 - ▶ Regulatory (FTK, Z-score, Solvency II)
 - ▶ Administration
- ▶ External tools, vendors and systems used (e.g. SimCorp)
- ▶ Readiness of asset manager



- ▶ Obtain overview of systems (in)directly used
- ▶ Obtain overview of process impacted
- ▶ Contact external parties
- ▶ Communication to 'clients'



Recent milestones



Do you have a milestone planning for your transition?



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