Update on Euribor

Fernando Conlledo
EFMLG, OCT 2014
FSB Report, “Reforming Major Interest Rate Benchmarks” (July 2014) recommendations:

- Strengthening existing IBORs based on unsecured bank funding costs by underpinning them to the greatest extent possible with transaction data
- Developing alternative, nearly risk free rates, for certain financial transactions, including derivatives

Review of the standards and principles for sound benchmarks, including an assessment of the major interest rate benchmarks against the IOSCO principles for financial benchmarks:

- All (three) relevant administrators (Euribor, Libor and Tibor) have made significant progress in implementing the majority of the Principles (most of the governance related Principles)
- However further progress is needed in ensuring that the Principles on benchmark design, data sufficiency and transparency of benchmark determinations are implemented (Principles 7, 9, 13 y 18)
- Next revision: July 2015
Update on Euribor
FSB Report, July 2014

FINANCIAL STABILITY BOARD

Illustrative roadmap for the implementation of EURIBOR+

- Constitution Task Force
- Task Force issues recommendation about transition
- Panel, data, infrastructure, contingency, communication, implementation
- EMMI decides complete design of Euribor + and implementation plan

Execution of implementation plan of Euribor+
June 2014. Euribor-EBF becomes EMMI (European Monetary Market Institute):
- New administrator of Euribor and other indices

July 2014. New calculation agent:
- GRSS (Global Rate Set Systems), takes over the calculation of Euribor from Reuter

Panel Banks:
- Composed of 25 Banks, all of them have provided EMMI with their Declarations of Adherence to the Euribor Code of Conduct

Further work:
- “The Euribor definition should be adjusted for more clarity. In particular the term “prime bank” needs a clear definition. The term “interbank transactions” also needs to be clarified and if needed to be broadened and adjusted” (EBA-ESMA Recommendation 4, 20 Feb 2014)
Update on Euribor
4th Euribor European Stakeholders Workshop. 10 October 2014

Gathering the end-user community

Aim at:
- Presenting to End-users a proposed methodology for a transaction-based euro unsecured money market benchmark.
- Participants had the opportunity to review the design of the new benchmark and
to provide input on features to promote the acceptance and use of the benchmark in the
general marketplace.

EFMLG letter (25.9.14) on the legal consequences of the introduction of a new index replacing the Euribor to the Commission, Council and Parliament, was copied before the meeting to the European Money Markets Institute (EMMI).

Participants:
- BEUC (Bureau Européenne des Unions de Consommateurs)
- Deutsche Börse AG
- EFAMA (European Fund & Asset Management Association)
- EMF (European Mortgage Federation)
- EUSIPA (European Structured Investment Products Association)
- FESE (Federation of European Securities Exchange)
- ISDA (International Swaps & Derivatives Association)
- EIB (European Investment Bank)
- EC (European Commission-DG ECFIN y DG MARKT)
- EBA (European Banking Authority)
- ESMA (European Securities & Markets Authority)
- ECB (European Central Bank)
- Several representatives of working groups (Euribor+Task force)
- Several representatives of Euribor Steering Committee
- EMMI (European Money Markets Institute)