



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

14 March 2018

Working group on euro risk-free rates recommends transition path from EONIA to €STR and €STR-based forward-looking term structure methodology

- Private sector working group recommends modifying EONIA methodology to become €STR plus a fixed spread until end-2021 to facilitate transition from EONIA to €STR
- Working group also recommends methodology based on OIS tradeable quotes for calculating a €STR-based forward-looking term structure that could be used as a fallback in EURIBOR-linked contracts
- Working group will now focus on adoption of €STR and on further analysis of fallbacks for EURIBOR

Today, the private sector working group on euro risk-free rates endorsed [recommendations](#) to market participants regarding the transition from the euro overnight index average (EONIA) to the euro short-term rate (the €STR) and the calculation of a €STR-based term structure.

Among other things, the working group recommended that market participants gradually replace EONIA with the €STR for all products and contracts, making the €STR their standard reference rate and making certain adjustments to their IT systems. The working group recommended that EONIA's administrator, the European Money Market Institute (EMMI), modify the current EONIA methodology to become the €STR plus a spread for a limited period of time in order to give market participants sufficient time to transition to the €STR. EMMI is also requested to engage with the relevant authorities to ensure that EONIA, under its evolved methodology, complies with the EU Benchmarks Regulation. The working group also recommended a methodology for calculating that spread.

Finally, the working group recommended a methodology for calculating a forward-looking term structure based on €STR derivatives markets that could be used as a fallback in EURIBOR-linked contracts. The working group will now analyse further both the backward- and forward-looking approaches as potential fallbacks for EURIBOR, acknowledging work being done in other currency areas as well as by the

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International Swaps and Derivatives Association (ISDA), which has announced the launch of a consultation on determining a fallback for EURIBOR-linked derivatives contracts following the start of the publication of the €STR.

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Notes:

The working group on euro risk-free rates, for which the European Central Bank (ECB) provides the secretariat, is an industry-led group established in 2018 by the ECB, the Financial Services and Markets Authority, the European Securities and Markets Authority and the European Commission. Its main tasks are to identify and recommend alternative risk-free rates and transition paths. On 13 September 2018 the working group recommended the €STR as the new euro risk-free rate. The €STR reflects the wholesale euro unsecured overnight borrowing costs of euro area banks and will be produced by the ECB as of October 2019 at the latest. The working group will now focus on the adoption of the €STR and on further analysis of fallbacks for EURIBOR.

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