



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Private sector working group recommends legal action plan for transition from EONIA to €STR

- Working group proposes €STR plus a fixed spread of 8.5 basis points as the EONIA fallback rate
- Working group recommends, whenever feasible and appropriate, no longer entering into new contracts referencing EONIA as from 2 October 2019
- In existing contracts referencing EONIA and maturing after December 2021, market participants should replace EONIA as a primary rate as soon as possible or embed robust fallback clauses
- For new contracts that still reference EONIA and mature after December 2021, or fall under the EU Benchmarks Regulation (BMR), robust fallback provisions should be included

Today, the private sector working group on euro risk-free rates has published a set of [recommendations on the legal action plan](#) for the transition from the euro overnight index average (EONIA) to the euro short-term rate (€STR).

Among other things, the working group recommends the €STR plus a fixed spread of 8.5 basis points as the EONIA fallback rate for all products and purposes. Market participants, whenever feasible and appropriate, should consider avoiding entering into new contracts referencing EONIA, in particular new contracts maturing after 31 December 2021 as EONIA will cease to exist after that date. For existing contracts referencing EONIA and maturing after December 2021, market participants should consider replacing EONIA as a primary rate as soon as possible or embed robust fallback clauses. In those cases where new contracts still reference EONIA and mature after December 2021, or fall within the scope of the EU Benchmarks Regulation (BMR), market participants should include robust fallback provisions. Additionally, for the purpose of enhancing transparency, while not strictly necessary, new contracts

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signed before October 2019 should ideally include clarification that the EONIA methodology is expected to change as of 2 October 2019 and that references in contracts to EONIA shall be understood to be references to EONIA as changed, unless otherwise agreed by the parties. Following the [public consultation on the legal action plan](#) and [the feedback received from the market](#), the working group is also providing two templates for EONIA discontinuation fallback language for new cash products; market participants may use the wording and tailor it to take into account the terms and conditions for each particular asset class and the legal requirements of each governing law and relevant European jurisdiction.

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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.