

Potential scenario's for EONIA and Euribor

Discussing timeline issues

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Introduction

17th of May EURO RFR Workgroup meeting:

- Potential scenarios for both EONIA and EURIBOR were discussed. Initial conclusions around the **2020 deadline**:
 - for the more negative scenarios (where both EONIA and EURIBOR would not become BMR compliant and could even potentially no longer be used in new contracts) **deadline is too tight** and;
 - this deadline is even for the most rosy scenario (where EONIA could still be used for legacy contract and the EURIBOR reform would be successful) **extremely challenging**.

Recent developments

Following the 17th of May meeting:

- Number of market participants and associations reached out to stress their concerns that the timelines are too tight even under the most rosy scenario (also confirmed by analysis conducted in Work stream 2).
- ECB announced that daily publication of ESTER (one the remaining three candidates to become the EURO Risk-free Rate) will start as of H2-2019 at the earliest.
- The ARRC published '*The Paced Transition Plan*' through which a baseline level of liquidity for derivatives contracts referencing SOFR should be established. The Paced Transition plan is planned to be completed by the end of 2021 (i.e. 3 years and 9 months after daily publication of SOFR started).
- Institutional representatives of the EURO RFR WG ECB, EC, ESMA, FSMA and the WG Chair had a call on the operational roadmap and available timelines.

Main observations

- All participants recognised the challenges around the timelines.
- The ECB indicated that the publication date of ESTER as one of the remaining candidates for the new EURO RFR can not be accelerated.
- EMMI and FSMA indicated that the process around the EURIBOR reform and the BMR compliancy status can not be accelerated.
- The WG Chair agreed for the WG to deliver a high level transition plan with feasible timelines that should cater for all potential scenarios around EONIA and EURIBOR and preferably align with the timelines envisaged by the international workgroups. This transition plan can subsequently be used as basis for the request to possibly extend the BMR implementation timelines.

New Workgroup 4 on EONIA transition

- EONIA will not become compliant with the EU Benchmark Regulations and cannot be used in new contracts as of 2020. The EURIBOR reform has not been completed and outcome on BMR compliancy is only expected by the end of 2019.
- A new Subgroup #4 is being proposed to specifically deal with the challenges around the transition from EONIA to the new RFR. The EURIBOR transition has not been added to the mandate at this stage given the uncertain outcome of the EURIBOR reform.
- The Subgroup will work on the following overall deliverables:
 - An analysis of available paths for the transition of EONIA to the alternative RFR(s)
 - A recommendation on the transition option(s) to the working group.
- First sub-deliverable will be a high-level transition plan with feasible timelines that should cater for all potential scenarios around both EONIA and EURIBOR.