



E U R O P E A N C E N T R A L B A N K

OPINION OF THE EUROPEAN CENTRAL BANK

at the request of the German Ministry of Justice under Article 109f (6) of the Treaty establishing the European Community (the “Treaty”) and Article 5.3 of the Statute of the EMI on a draft FIBOR (“Frankfurt Interbank Offered Rate”) Transition Regulation.

CON/98/32

1. On 29 May 1998 the EMI has received a request from the German Ministry of Justice for an opinion on a draft “FIBOR” (“Frankfurt Interbank Offered Rate”) Transition Regulation.
2. In accordance with Article 109l (2) of the Treaty, the ECB has taken over the advisory functions of the EMI which has gone into liquidation upon the establishment of the ECB on 1 June 1998. The ECB’s competence to deliver an opinion is based on Article 1.1 of the Council Decision (93/717/EC) of 22 November 1993 on the consultation of the EMI by the authorities of the Member States on draft legislative provisions, as the regulation contains rules which, in the context of national change-over legislation, deal with provisions that have an impact on financial markets and, thus, fall within the consultative competence of the ECB.
3. The aim of the draft regulation is to provide for the replacement of the FIBOR with the interest rate that most closely corresponds to its function. Reference variables for interest rates and other services which refer to the FIBOR for loans of one to twelve-month funds shall be replaced by the “Euro Interbank Offered Rates” (EURIBOR) for loans of one to twelve-month funds as fixed for the respective maturities. Reference variables for interest rates and other services which refer to the FIBOR for overnight loans shall be replaced by the “Euro Overnight Index Average” (EONIA). Furthermore, provisions are made for the replacement of the so-called “old FIBOR” for three-month and for six-month funds. The legal basis for the draft regulation is to be found in §3, paragraph 2, No. 2 of the Discount Rate Transition Act.
4. The Discount Rate Transition Act was part of the Act on the Introduction of the Euro, on which the European Monetary Institute has given its opinion, dated 16 December 1997 (CON/97/24). In this opinion, the EMI stated it “favoured a rate representing the whole euro area as it is of the opinion that only this could have a corresponding function in the third stage to that performed at the moment by the FIBOR in relation to the Deutsche Mark”. In line with this, the ECB welcomes the approach taken in the draft regulation and considers it to be a relevant contribution for the change-over to Monetary Union.

5. It should be noted that in the Explanatory Memorandum to the draft regulation on § 2, paragraph 1, first sentence, reference is made to the EURIBOR which should be a reference rather to EONIA.

The ECB has no objection to this opinion being made public.

22 June 1998