

Building a €STR-based term structure

Presentation

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About EMMI

- EMMI is the administrator of two critical interest rate benchmarks: [EURIBOR®](#) and [EONIA®](#). Besides the activities of benchmarks' administrator, EMMI plays a key role in the management of the STEP label, an initiative aimed at fostering the integration and transparency of the European markets for short-term paper.
- EMMI is an international non-for-profit association under Belgian law founded in 2014 and is based in Brussels. EMMI's members are national banking associations in the Member States of the European Union.
- On 3rd July 2019, EMMI has been granted an authorisation by the Belgian Financial Services and Markets Authority (FSMA) under Article 34 of the EU Benchmarks Regulation (EU BMR) for the administration of EURIBOR®. EMMI has also applied for authorisation from the FSMA for the administration of EONIA® under the same article.



European Money Markets Institute (EMMI)

EMMI's mission and vision

- The purpose of the European Money Markets Institute (EMMI) is to facilitate the integration and to support the smooth functioning of euro money markets and related financial markets.
- EMMI continuously works to reinforce transparency and enhance governance to preserve the quality, robustness and integrity of its benchmarks. EMMI also strives to develop new suitable benchmarks, fit for purpose and adapted to the current regulatory context.
- EMMI is committed to achieving the long-term sustainability of EURIBOR[®], which is of systemic importance for financial stability; this also includes the provision of EURIBOR[®] fall-back rates.
- EMMI considers that a fall-back rate for EURIBOR[®] is a critical benchmark in itself. EMMI will therefore apply the highest quality standards to ensure robustness and reliability in all aspects of its administration.

EMMI's approach

1. Methodology design

- The working group on euro risk-free rates (RFR WG) has expressed a preference for a quotes-based methodology (committed quotes in €STR OIS swaps obtained from regulated electronic trading venues), point-in-time fixing and forward-looking.
- EMMI will follow the recommendations of the RFR WG as well as FSB recommendations and IOSCO principles for Financial Benchmarks. It will apply the requirements of the EU BMR in order to have a robust and reliable fall-back rate for EURIBOR®.
- In line with its consultation policy, EMMI will seek feedback from market participants via conduct broad consultations on aspects that have not been covered by the RFR WG. At the same time, a data gathering exercise, analysis and testing of the methodology will be performed before implementation.
- While the methodology will be simple and easy to implement, it may evolve over time in function of the underlying markets, liquidity and user needs; annual reviews as foreseen by BMR will be performed.
- EMMI stresses that the successful development and administration of a €STR-based term structure is subject to availability of sufficient market liquidity in €STR OIS swaps as well as to availability of market data sources.

Next to the design and development of the methodology, EMMI will also apply its high-quality standards to:

2. Infrastructure

- EMMI will leverage on its robust infrastructure used for EURIBOR® and EONIA® to create a new module for the fall-back rate within the EMMI Benchmarks Application and System Software (EBASS) for the execution of the daily operations of the benchmark, i.e. data collection, calculation and publication.

3. Data quality control

- EMMI will develop the necessary checks to monitor the calculation/publication on a daily basis as well as a monthly data integrity program.

4. Governance

- At corporate level: EMMI's Conflict of Interest Oversight Committee (CIOC) and EMMI's Audit and Risk Committee (ARC) will adapt to the extended scope of the administrator's activities.
- At benchmark level: a dedicated Steering Committee will be set up, separate from the current EURIBOR®/EONIA® Steering committee to oversee the methodology, governance and daily operations of the fall-back rate.

5. Compliance

- The existing Control framework and Accountability framework will be extended/adapted to cover the extended scope of the administrator's activities. Respective policies and procedures will be developed.

6. Distribution

- EMMI can rely on its vast network of critical benchmark users to widely distribute the fall-back rate on a fair, reasonable, transparent and non-discriminative basis.

7. Communication

- EMMI attaches great importance to transparency and will set up a clear plan to communicate effectively throughout the process and keep all stakeholders informed on progress and implementation.

8. Authorisation

- EMMI assumes that the fall-back rate will be considered critical immediately and will prepare to file for authorisation before the launch of the fall-back rate

Conclusion

- Given its longstanding experience and solid expertise as administrator of critical benchmarks, EMMI is confident that it can successfully deliver a €STR-based forward-looking term structure.
- EMMI will ensure its EU BMR compliance, paying great attention not only to a methodology which is in line with FSB recommendations and IOSCO principles, but also to achieving high-quality standards regarding operations, controls, accountability and governance.
- In this way, EMMI will contribute to contract robustness and continuity, thus enhancing transparency, consumer protection and financial stability.
- EMMI is committed to continuity in the services that it provides and considers its benchmarks as a public good.

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