



Summary of responses to the public
consultation by the working group on
euro risk-free rates

on EURIBOR fallback trigger events

15 February 2021

Contents

1	Executive summary	2
2	Potential permanent EURIBOR fallback trigger events	4
3	Consistency between asset classes	15

1 Executive summary

The [public consultation](#) by the working group on euro risk-free rates (hereinafter the “working group”) on EURIBOR fallback trigger events closed on Friday, 15 January 2021. The consultation drew considerable interest mainly from the financial sector. 62 market participants – 51 of which were from the banking sector – provided responses. In addition to the sectoral coverage, the response sample also ensures appropriate geographic coverage. The main messages from the respondents may be summarised as follows:

1. Almost all respondents (98%) agreed with the fallback triggers as proposed by the working group and called for consistency with recommendations by other industry bodies (e.g. the US Alternative Reference Rates Committee – ARRC) as well as market associations (the International Swaps and Derivatives Association – ISDA, the International Capital Market Association – ICMA, the Loan Market Association – LMA, etc.).
2. Almost all respondents (97%) agreed that any announcement on the discontinuation of EURIBOR made by the supervisor of the benchmark and/or the administrator should constitute a fallback trigger, as this is in line with established practice and will increase global consistency across products and jurisdictions.
3. The vast majority of respondents (81%) agreed that any announcement on the non-representativeness of EURIBOR by the benchmark supervisor should constitute a trigger event and would be aligned with the recent changes in the EU Benchmarks Regulation¹ (BMR). Nevertheless, several respondents pointed out that such a trigger is not part of ISDA’s fallback provisions and recommended that ISDA should also consider including such an event in its EURIBOR fallback documentation in order to increase global consistency across currencies and products.
4. The vast majority of respondents (88%) agreed that an event in which EURIBOR is calculated in accordance with its reduced submissions or other contingency or fallback policies should not be included as a trigger event in EURIBOR fallback provisions, as these policies and procedures are intended to manage temporary problems which should, therefore, not trigger a permanent fallback provision.
5. A significant majority of respondents (62%) agreed that if the use of EURIBOR becomes unlawful, fallback provisions should be triggered. Many respondents, however, considered that such a trigger may be problematic in cross-border transactions and the existence of other illegality provisions in the contractual arrangements should also be considered. Therefore, many respondents recognised the need for a more precise definition, questioned the inclusion of this trigger as a general rule and highlighted the importance of avoiding cross-jurisdictional discrepancies.
6. A significant majority of respondents (61%) agreed with the inclusion of a “catch-all” trigger in the event that EURIBOR permanently ceases to be published without any prior official announcement by

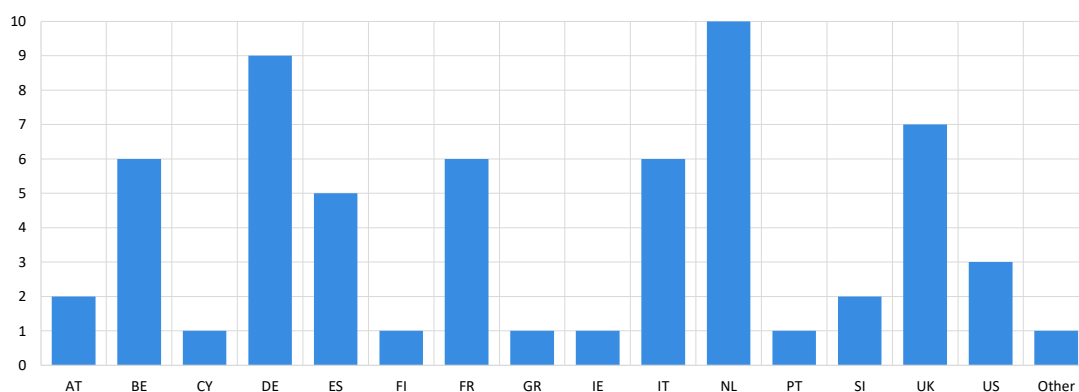
¹ [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016](#) on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, OJ L 171, 29.6.2016, p.1.

the competent authority or the administrator. Many respondents, however, recognised that the difference between temporary and permanent unavailability of the rate should be carefully defined and also acknowledged that this trigger event is highly unlikely to occur.

7. The vast majority of respondents (87%) agreed that a material change in the EURIBOR methodology (as defined by the European Money Markets Institute – EMMI) should not result in an automatic trigger event.
8. Finally, almost all respondents (97%) agreed that, to the extent possible, all asset classes should have the same set of fallback trigger events, recognising that there may be a need for exceptions for a limited number of products.

Chart 1: Geographic coverage of the response sample

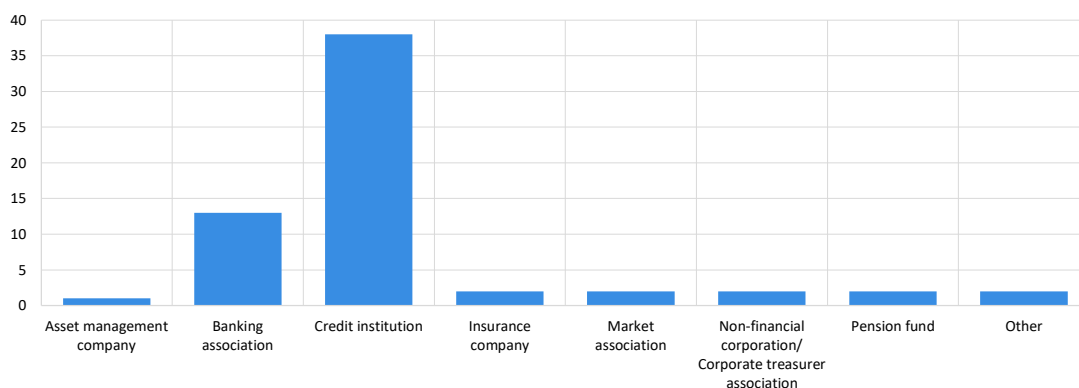
(January 2021; number of respondents by geographic area)



Source: ECB Secretariat to the working group on euro risk-free rates.

Chart 2: Representation of stakeholder groups in the response sample

(January 2021; number of respondents by sector)



Source: ECB Secretariat to the working group on euro risk-free rates.

2 Potential permanent EURIBOR fallback trigger events

Question 1 of the [public consultation](#) asked:

Do you agree with the inclusion of “Event 1” as a trigger event in EURIBOR fallback provisions?
(Yes/No/No opinion)

Please elaborate.

Event 1:

A public statement or publication of information by or on behalf of the regulatory supervisor of the EURIBOR administrator stating that said administrator has ceased or will cease to provide EURIBOR permanently or indefinitely provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide EURIBOR.

Almost all respondents (98%) agreed with the inclusion of “Event 1” in EURIBOR fallback provisions on the basis of the reasoning outlined in the consultation document.

A large number of respondents welcomed the fact that this trigger event is broadly in line with the fallback provisions already defined by other industry bodies (e.g. the ARRC) and market associations (e.g. ISDA and the LMA). It was noted that the inclusion of this trigger event would increase global consistency across products and jurisdictions while avoiding potential mismatches in fallback provisions for different products.

Some respondents pointed out that it should be made clear that the fallback rate takes effect on the actual cessation date of EURIBOR and not on the publication date of the public statement. In this context and with regard to the wording “has ceased”, it was commented that the public announcement should, in any case, be made in advance of EURIBOR’s cessation. One respondent recommended clarifying what exactly would constitute a public statement for this purpose, in order to provide the greatest possible legal certainty. This respondent suggested (i) identifying who within the regulatory supervisor would have the power to trigger the event and (ii) publishing an indicative statement clarifying how the trigger event would be announced. This would be in line with the UK Financial Conduct Authority’s approach.

A few respondents commented that the enforcement of mandatory administration of EURIBOR by its current supervisor or any potential successor supervisor should not be considered a cessation event. Furthermore, “Event 1” should only be triggered after all available legislative measures (such as mandatory contributions to a benchmark and mandatory administration in accordance with the BMR) have been exhausted.²

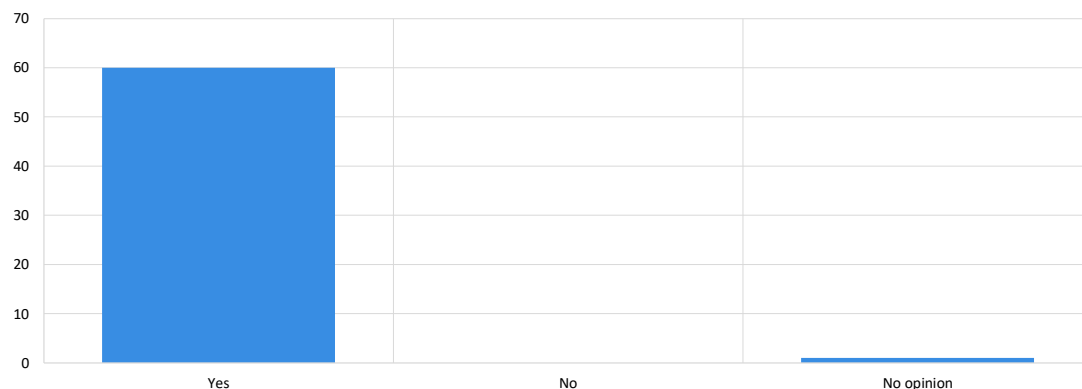
One respondent suggested aligning the wording with the corresponding LMA and ARRC trigger event wordings in order to avoid mismatches and room for interpretation across currencies and asset classes. In that respect another respondent suggested that the trigger event should take into

² One respondent proposed adding a clause to the wording of the trigger event clarifying that “...there is no successor administrator nor is there expected to be a successor administrator that will continue to provide EURIBOR”.

account the potential insolvency of the administrator as included in other fallback provisions such as the LMA’s London interbank offered rate (LIBOR) documentation.

Chart 3: Do you agree with the inclusion of “Event 1” as a trigger event in EURIBOR fallback provisions?

(January 2021; 61 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

Question 2 of the [public consultation](#) asked:

Do you agree with the inclusion of “Event 2” as a trigger event in EURIBOR fallback provisions?
(Yes/No/No opinion)

Please elaborate.

Event 2:

A public statement or publication of information by or on behalf of the EURIBOR administrator stating that said administrator has ceased or will cease to provide EURIBOR permanently or indefinitely provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide EURIBOR.

Almost all respondents (97%) agreed with the inclusion of “Event 2” in EURIBOR fallback provisions, highlighting the importance of global consistency across jurisdictions and products.

Most respondents repeated their feedback to Question 1, as “Event 1” and “Event 2” are very similar and both are seen as important for the EURIBOR fallback provisions. Once again, the importance of consistency across jurisdictions and products was highlighted.

A couple of respondents stressed the importance of differentiating between the date of the public statement and the actual cessation date of EURIBOR, with the latter being the time that the fallback rate should take effect. In the same vein, it was commented that the public announcement should, in any case, be made in advance of the cessation of EURIBOR.

One respondent reiterated that it should be clarified what exactly would constitute a public statement for this purpose, in order to provide the greatest possible legal certainty.

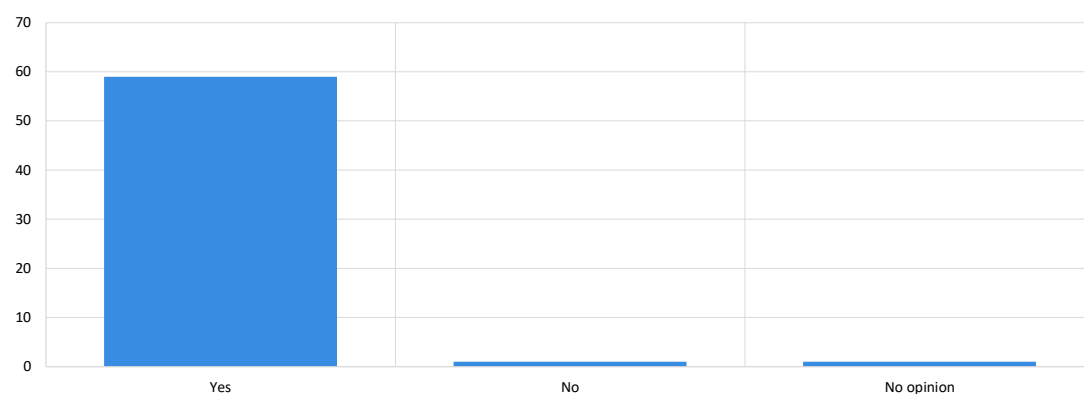
One respondent proposed an addition to the wording to clarify that “...there is no successor administrator nor is there expected to be a successor administrator that will continue to provide EURIBOR”. That was in line with similar comments from a few other respondents, who emphasised that this trigger event should only be activated if no mandatory administration by the competent authority was imposed.

The suggestion to align the wording with those of similar trigger events identified in other jurisdictions or by market associations was also repeated.

A few respondents expressed their preference for a statement by the supervisor of the administrator instead of, or at least in addition to, the public statement by the administrator. For this reason, one respondent was not in favour of including “Event 2” in EURIBOR fallback provisions, stating that such a statement should only be provided by the supervisor of the administrator, not the administrator itself. Another respondent raised the question of whether “Event 1” and “Event 2” could be merged to cover both scenarios. In a similar vein, a few respondents pointed out that it should not matter whether the cessation of EURIBOR is announced by the supervisor of the administrator or by the administrator itself. As soon as the information becomes public, the trigger event should be activated.

Chart 4: Do you agree with the inclusion of “Event 2” as a trigger event in EURIBOR fallback provisions?

(January 2021; 61 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

Question 3 of the [public consultation](#) asked:

Do you agree with the inclusion of “Event 3” as a trigger event in EURIBOR fallback provisions?
(Yes/No/No opinion)

Please elaborate.

Event 3:

An official public statement by or on behalf of the supervisor of the EURIBOR administrator that, in its view, EURIBOR is no longer representative, or will no longer be representative, of the underlying market it purports to measure and no action to remediate such a situation is taken or expected to be taken as required by the supervisor of the EURIBOR administrator.

The vast majority of respondents (81%) were in favour of including “Event 3” in EURIBOR fallback provisions. Respondents who were against this cited the inconsistency with the ISDA documentation for EURIBOR as a reason for their response.

Numerous respondents welcomed the fact that such a trigger event is already defined for LIBOR by the ARRC and the LMA and also by ISDA. Additionally, it was noted that this trigger event is aligned with the amended BMR. It was recognised that non-representativeness calls into question the commercial basis for the use of EURIBOR, which argues for the inclusion of such a trigger. However, a number of respondents pointed out that ISDA currently does not include this trigger event in its

EURIBOR documentation. Therefore, the inclusion of “Event 3” in EURIBOR fallback provisions would lead to mismatches between provisions for cash products and provisions for derivatives.

Nevertheless, the vast majority of respondents were in favour of incorporating “Event 3” into fallback provisions, while emphasising that ISDA should also consider including such an event in its EURIBOR fallback documentation in order to increase global consistency across currencies and products.

Several respondents emphasised that a public statement without a clear time frame for when EURIBOR would no longer be considered representative could result in operational issues. The time at which the rate loses its representativeness should be determined by the supervisor of the administrator and be included in the public statement to ensure the clarity of the trigger event. In addition, respondents noted that the statement should be published before EURIBOR becomes non-representative. One respondent suggested a minimum period of one month between the publication of such a statement and the designated date. Similarly to the feedback on “Event 1” and “Event 2”, in this case also respondents would expect the replacement rate to take effect not on the day of publication of the statement but on the date that EURIBOR loses its representativeness.

One respondent suggested aligning the wording of “Event 3” with the corresponding event defined in the BMR. Another respondent pointed out that the reference to possible remediation “as required by the supervisor of the EURIBOR administrator” appears quite narrow, as remedial actions might not be imposed by the supervisor but proposed by the administrator itself. The role of the supervisor would then be to evaluate the proposed actions and to approve or reject them. In this context, one respondent suggested that the public statement or publication of information by the administrator itself (not only by the supervisor) should be considered a trigger event.

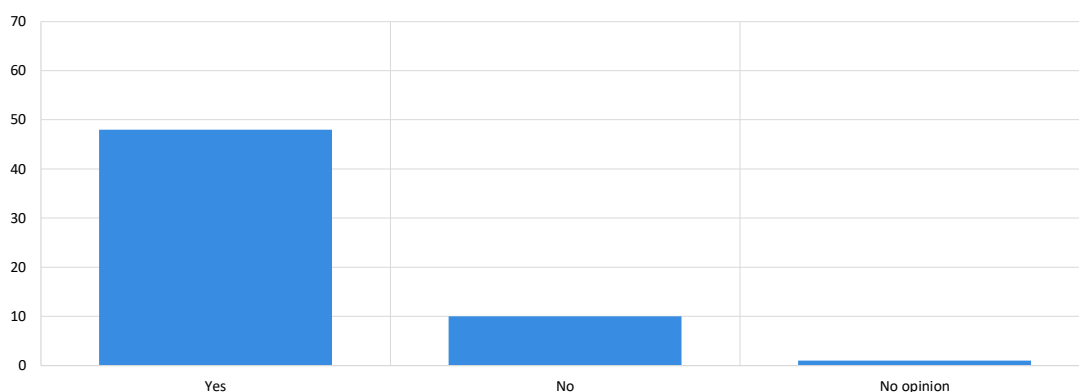
Additionally, one respondent recommended that this trigger be activated if there is an explicit acknowledgement in the public statement that the announcement is intended to trigger fallback provisions.

A few respondents pointed out that “Event 3” could also be embedded in the trigger events dealing with a cessation of EURIBOR in order to reduce complexity caused by having several trigger events. One respondent would prefer to define “Event 3” as an optional trigger.

Several respondents who were against the inclusion of “Event 3” in EURIBOR fallback provisions cited the fact that the ISDA fallback documentation for EURIBOR does not include this trigger event. Respondents preferred to align the provisions with those of the derivatives market in order to avoid mismatches between the provisions for cash and those for derivative products. In addition, a couple of respondents who argued against the inclusion of “Event 3” referred to possible uncertainty as to how this trigger event relates to the BMR provisions.

Chart 5: Do you agree with the inclusion of “Event 3” as a trigger event in EURIBOR fallback provisions?

(January 2021; 59 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

Question 4 of the [public consultation](#) asked:

Do you agree with the proposal of not including “Event 4” as a trigger event in EURIBOR fallback provisions? (Yes/No/No opinion)

Please elaborate.

Event 4:

The EURIBOR administrator determines that EURIBOR should be calculated in accordance with its reduced submissions or other contingency or fallback policies.

The vast majority of respondents (88%) agreed that “Event 4” should not be included as a trigger event in EURIBOR fallback provisions.

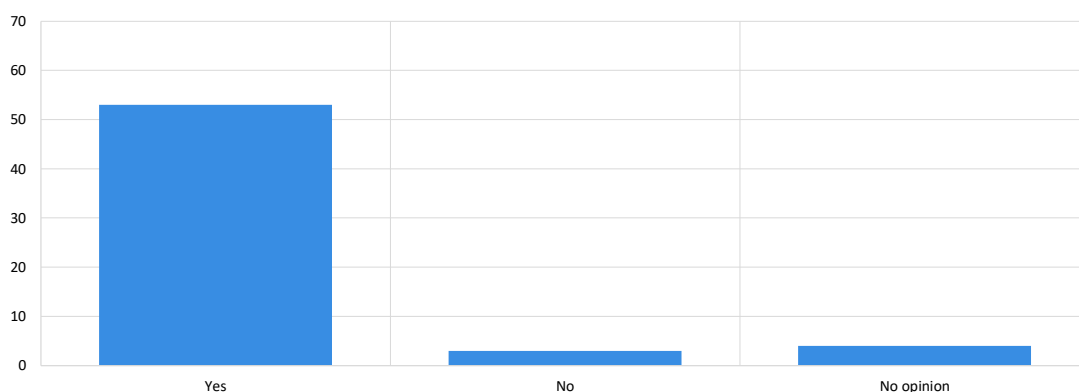
Several respondents commented that reduced submissions and other contingency procedures are intended to manage temporary problems which should, therefore, not trigger a permanent fallback provision. The benchmark methodology, including the contingency procedures, is subject to continuous review and supervision, thus a rate calculated within this framework would still be seen as valid and representative and the rate would not cease to exist. Non-representativeness or cessation of EURIBOR would be covered by the first three trigger events. Some respondents cited possible overlaps with those three events as a reason for not including “Event 4” in fallback provisions in order to avoid potential confusion.

Several respondents emphasised the importance of aligning possible trigger events with those of other jurisdictions and market associations. It was also noted that an event such as “Event 4” is not foreseen in the BMR. Therefore, those respondents preferred not to include “Event 4”.

A few respondents saw “Event 4” as an optional clause that would trigger a discussion leading to the possible amendment of individual contracts, but did not see it as a fallback trigger.

Chart 6: Do you agree with not including “Event 4” as a trigger event in EURIBOR fallback provisions?

(January 2021; 60 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

Question 5 of the [public consultation](#) asked:

Do you agree with the inclusion of “Event 5” as a trigger event in EURIBOR fallback provisions?
(Yes/No/No opinion)

Please elaborate.

Event 5:

It has become, for any reason, unlawful under any law or regulation applicable to relevant parties³ to the agreement to use EURIBOR.

A significant majority of respondents (62%) agreed with the inclusion of “Event 5” as a trigger event in EURIBOR fallback provisions given that it is properly worded, while one-quarter of the respondents did not agree as they considered its inclusion to be problematic in cross-border transactions and they proposed that illegality provisions in documentation should be relied on instead. Most of the respondents who had no clear preference concurred with the need for a more precise definition, questioning its inclusion as a general rule and highlighting the importance of avoiding cross-jurisdictional discrepancies.

Some of the respondents who were in favour of the inclusion of “Event 5” as a trigger event pointed out that adjustments to the drafting of this trigger event should be considered in order to clarify, among other aspects, (i) for which party the transaction has become illegal, (ii) the scope of the trigger event – in order to avoid overlaps with other existing illegality clauses contained in agreements, (iii) which law(s) or regulation(s) is/are covered, and (iv) who will determine whether a law or regulation has been breached, bearing in mind the specific terms and conditions of the

³ Such parties should be defined in the relevant governing documentation for the relevant asset class. For instance, in relation to floating rate notes, these parties would be the issuer, the paying agent or the calculation agent in respect of which it becomes unlawful to determine EURIBOR or calculate any amount payable under the notes using EURIBOR as a reference rate.

transactions,⁴ which would make it more difficult to apply “Event 5” across all the different asset classes.

One respondent regarded a statement by a competent authority as the trigger event.

In the view of a couple of respondents, this trigger event should also cover circumstances in which the use of the benchmark is prohibited for a specific agreement or type of client as a result of a final non-appealable decision of the highest competent court.

The respondents who were against the inclusion of “Event 5” as a trigger event argued that its broad definition introduces an element of uncertainty, e.g. given the various local law and regulatory considerations, this event may lead to unintended consequences such as increased levels of legal disputes including on a cross-border basis.

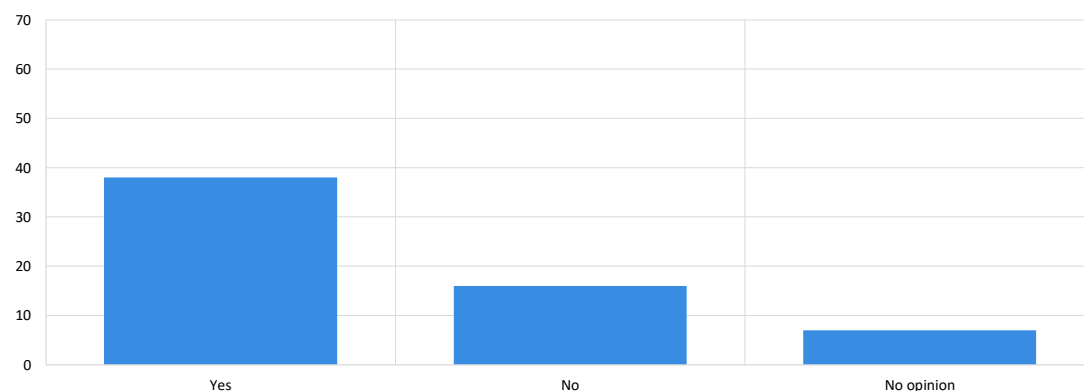
Some respondents pointed at potential divergences depending on whether parties adhered to ISDA’s IBOR Benchmarks Protocol or incorporated the ISDA Benchmark Supplement. Moreover, it was noted that illegality provisions in the ISDA Master Agreement could also apply, but those would have a different result.

The lack of alignment with the LMA rate switch triggers and the ARRC’s recommendations was also highlighted and would mean that new cross-product and cross-jurisdictional considerations may be studied if “Event 5” is included in EURIBOR fallback provisions.

Some respondents proposed that the inclusion of this trigger event at the contract level be considered for those transactions for which this is already standard practice or for which it is required by local laws, but it should not be included in all contracts as a general rule; while others were of the opinion that this trigger event is better dealt with in the documentation for the financial product dealing with disruptions, changes in law and/or illegality and that contracts already provide for it, meaning that its inclusion in contracts is unnecessary and might create confusion.

Chart 7: Do you agree with the inclusion of “Event 5” as a trigger event in EURIBOR fallback provisions?

(January 2021; 61 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

⁴ For example, capital market products, such as funds or bonds, have been cited as a potential exception and in the case of syndicated loan agreements it might be difficult to agree on this trigger event, given that its use might lead to a split interest calculation (e.g. if only some lenders are affected by the prohibition on using EURIBOR).

Question 6 of the [public consultation](#) asked:

Do you agree with the inclusion of “Event 6” as a trigger event in EURIBOR fallback provisions?
(Yes/No/No opinion)

Please elaborate.

Event 6:

EURIBOR is permanently no longer published without a previous official announcement by the competent authority or the administrator.

A significant majority of respondents (61%) agreed with the inclusion of “Event 6” as a trigger event in EURIBOR fallback provisions provided that the difference between temporary and permanent unavailability of the rate is carefully defined. However, one-third of the respondents disagree with its inclusion, highlighting its imprecise and remote nature which in their view introduces uncertainty. As a general consideration, respondents alluded to the fact that this trigger event is (highly) unlikely to occur.

Although several respondents considered a permanent cessation of EURIBOR without an official communication by the competent authority or the administrator to be (highly) unlikely, “Event 6” was considered by the majority of the respondents to be a trigger event of last resort that might be useful in the event of any unforeseen scenario. Its inclusion was considered advisable as a matter of prudence by some of those respondents. Other respondents, however, highlighted the fact that the cessation of EURIBOR without any prior official announcement could lead to issues, such as uncertainty regarding the precise moment at which the event is triggered, confusion as to whether this is a permanent or temporary cessation, lack of planning and preparation, or potential litigation cases, among others.

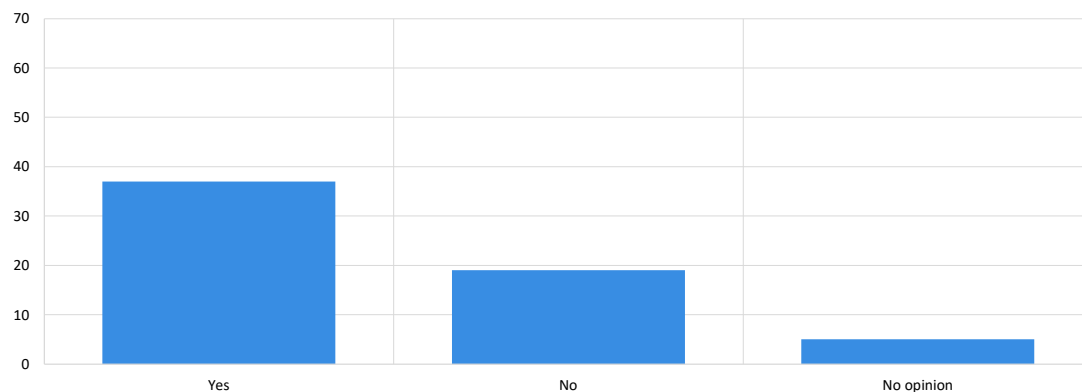
In order to avoid any potential confusion with a temporary lack of EURIBOR, e.g. owing to technical impediments, most of the respondents who supported the inclusion of this event proposed the introduction of an agreed time period after which the cessation of the publication of EURIBOR would be considered permanent. The time period proposed ranged from five to eight working days, with five working days being the most frequently proposed option. In addition, a couple of respondents raised the question of what would happen if EURIBOR starts to be published again after the fallback has been triggered, proposing that the working group should call on the industry associations to analyse this topic further and address these two issues in order to try to reach a market consensus about them.

The arguments put forward by the respondents who did not agree with the inclusion of “Event 6” as a trigger event in EURIBOR fallback provisions included the following (i) its occurrence would need to be determined on a case-by-case basis and it covers a remote scenario, introducing uncertainty, (ii) the documentation will likely have a backstop date or opt-in language to allow parties to agree on a switch from EURIBOR in cases where no other trigger event has occurred, and it is best that this be covered in the agreed process for renegotiation rather than being a formal trigger event, (iii) it is not in accordance with applicable regulations that require the administrator of the rate to inform the

market about the permanent cessation of EURIBOR⁵, and (iv) its inconsistency with the ARRC, ISDA fallback and LMA rate switch triggers, as well as the amendments to the BMR⁶. In addition, several respondents commented that the description of the event is neither precise nor objective enough, with some of them alluding again to the distinction between a temporary and permanent cessation of the rate.

Chart 8: Do you agree with the inclusion of “Event 6” as a trigger event in EURIBOR fallback provisions?

(January 2021; 61 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

Question 7 of the [public consultation](#) asked:

Do you agree that the inclusion of a material change in EURIBOR methodology (as defined by the EMMI) should not result in an automatic trigger event and parties are free to agree when entering into the contract that either **(i) references in contracts to EURIBOR shall be understood to be references to EURIBOR as changed, or (ii) the parties shall discuss between parties to continue the contract with the materially changed EURIBOR or to fall back to the EURIBOR fallback rates included in the contract?** (Yes/No/No opinion)

Please elaborate.

Event 7:

Material change is made to the EURIBOR methodology.

The vast majority of the respondents (85%) agreed that a material change in the EURIBOR methodology (as defined by the EMMI) should not result in an automatic trigger event and underlined the freedom of parties to define what shall be understood as a “material change”.

The vast majority of the respondents concurred with the working group and considered that “Event 7” should not constitute an automatic trigger event and underlined that it is important that the parties define themselves what should be understood by “material change”, differentiating between a “material change” in the benchmark – which implies that the benchmark has ceased to measure its

⁵ On the basis of Article 21 of the BMR, the administrator of a critical benchmark must notify its competent authority of its intention to cease providing the benchmark.

⁶ One respondent highlighted that in the ISDA and ARRC discussions on fallback provisions, similar triggers (e.g. a five-day cessation) were emphatically rejected by the market.

original underlying interest – and a “material change” in the methodology of the benchmark – which is normally carried out to ensure that the benchmark continues to measure its original underlying interest, for which respondents gave the example of EONIA’s change of methodology in October 2019 and the introduction of EURIBOR’s hybrid methodology. However, it was also pointed out that in practice it would be confusing and time-consuming for parties to agree on this among themselves.

Taking into account the fact that the determination of what constitutes “material” has not been specified in the BMR,⁷ most of the respondents were of the opinion that the inclusion of “Event 7” as a trigger event in EURIBOR fallback provisions without further definition could introduce significant uncertainty about when the trigger has objectively occurred.

Its inclusion was also considered to be inconsistent with the BMR requirement for benchmark administrators to periodically review the benchmark’s definition and methodology.⁸ The revisions of the benchmark’s definition and methodology as contemplated in the BMR would be supervised and would entail the conduct of public consultations; for that reason the changes introduced in the methodology of the benchmark following such periodic revisions should not trigger the benchmark’s fallback automatically but counterparties have the possibility to bilaterally agree to include this trigger event, if they wish, for a particular transaction.

Some respondents commented that they support the approach taken by ISDA in this matter, i.e. the incorporation of an acknowledgement of change in the methodology stating that the parties agree to apply the benchmark as modified. In their opinion it provides legal certainty and avoids potential disputes between the parties. However, it was also commented that this wording is not strictly necessary and could cast doubt on legacy documents not containing this language. Another argument against the inclusion of “Event 7” as an automatic trigger event in EURIBOR fallback provisions was that, taking into account the approach followed by ISDA, if fallback rates are triggered in some contracts but not in all, especially in the case of derivatives deals, it might lead to hedging mismatches.

Some respondents underscored the fact that there is no need for the inclusion of a specific trigger for discussions beyond the equivalent trigger in the LMA Revised Replacement of Screen Rate Clause, while one respondent believed that this option has several drawbacks, as it could lead to (i) inconsistent and potentially opportunistic behaviour among market participants, (ii) hedging and/or timing mismatches; (iii) discussions and potential disputes between counterparties with different preferences; and (iv) difficulty in applying it to certain asset classes which involve many participants (i.e. bondholders).

Finally, one of the respondents who disagreed with the working group’s conclusions stated that in its view a material change should result in a trigger event even if the change in the EURIBOR’s methodology aimed at restoring EURIBOR’s representativeness of its underlying market. The reason

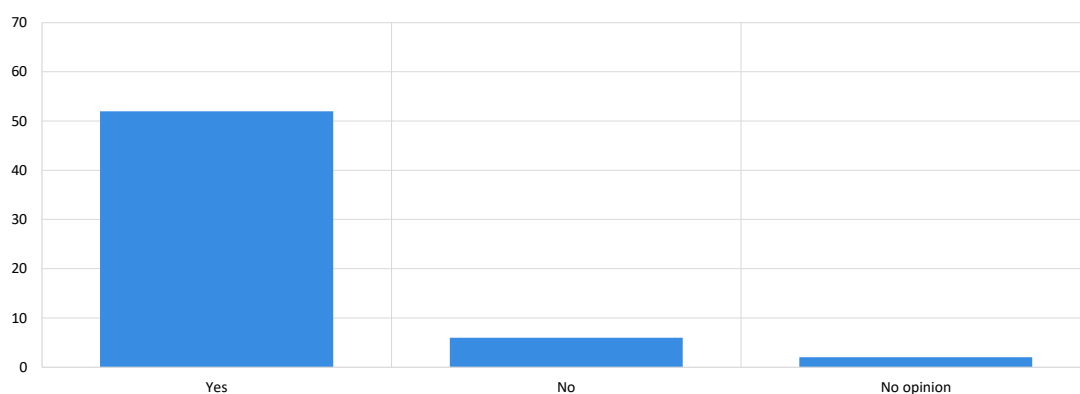
⁷ One respondent commented that guidance from the European Securities and Markets Authority in this regard would provide legal certainty to the market.

⁸ Article 5.3 of the BMR states “The oversight function shall operate with integrity and shall have the following responsibilities, which shall be adjusted by the administrator based on the complexity, use and vulnerability of the benchmark:
(a) reviewing the benchmark’s definition and methodology at least annually;
(b) overseeing any changes to the benchmark methodology and being able to request the administrator to consult on such changes;”

provided is that counterparties may face some cherry picking among those who would agree to keep using the reformed EURIBOR and those who may want to use an alternative benchmark, such as a risk-free rate, as they consider the reformed EURIBOR to represent and measure a different underlying or to be too far from the initial rate negotiated at the inception of the contract. This respondent considered that the assessment of the “material change” should be performed by the administrator of the rate and overseen by its supervisor and that it is crucial that it is understood and accepted by all market participants to avoid triggering disputes between the counterparties.

Chart 9: Do you agree with not including “Event 7” as a trigger event in EURIBOR fallback provisions?

(January 2021; 60 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

3 Consistency between asset classes

Question 8 of the [public consultation](#) asked:

Should all asset classes have the same fallback trigger events, to the extent possible? (Yes/No/No opinion)

Please elaborate.

Almost all respondents (97%) were in favour of having the same set of fallback trigger events for all asset classes to the extent possible.

Almost all respondents agreed that it was highly desirable that, to the extent possible, all asset classes have the same fallback trigger events. It was acknowledged, however, that reasonable exemptions could be expected, e.g. because of different decision-making processes for different products or to take into account illegality clauses. However, deviations should be kept to a minimum and only applied if the generic fallback trigger event does not fit a certain type of asset class.

The main reasons provided by the respondents for seeking consistency were the following: (i) it would allow disruption and market fragmentation to be minimised, reducing basis and hedging implications for linked products/contracts and reducing value transfers, (ii) it would minimise complexity, (iii) it would provide legal certainty,⁹ and (iv) it would support the monitoring of all asset classes, decreasing the operational burden and administrative efforts. In addition, consistency was considered important and preferable for end users. It was also commented that the consistency of fallback triggers between jurisdictions should be considered, especially for multicurrency products.

It was also stated that the work conducted by ISDA and the ARRC in relation to cash products provides some industry-level standards around which consistency can be built. Some respondents took the opportunity to encourage the various market associations, such as the LMA¹⁰, ISDA and the ICMA, to take into account the outcome of the consultations and to consider amendments to their fallback clauses in order to enhance consistency in the market. It was also noted that ISDA's IBOR Supplement does not include a pre-cessation trigger for EURIBOR-linked derivatives while the working group had put forward its possible inclusion in cash products. This could be a point for attention, which could be addressed either by not including pre-cessation in cash products or by considering an update on the ISDA's EURIBOR Supplement to include a pre-cessation trigger for derivatives.

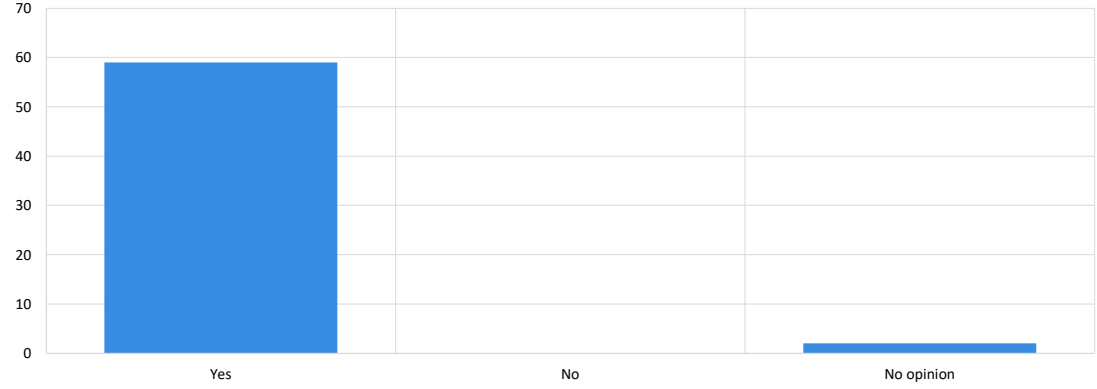
In this same vein, the current proposal for cash products does not cover the legacy book, while ISDA's EURIBOR-linked derivatives will be covered through ISDA's IBOR Protocol. This would also add a discrepancy to the trigger events language used for new and some legacy agreements.

⁹ One respondent commented that it would be useful to categorise the trigger events into, for example, the following categories: permanent cessation, pre-cessation, and early opt-in/opt out.

¹⁰ One respondent highlighted that LMA triggers for all IBORs (EURIBOR included) should be the same so that contracts do not need to have separate EURIBOR trigger provisions.

Chart 10: Do you agree with the incorporation of the same fallback trigger events for all asset classes, to the extent possible?

(January 2021; 61 responses)



Source: ECB Secretariat to the working group on euro risk-free rates.

© European Central Bank, 2021

Postal address 60640 Frankfurt am Main, Germany

Telephone +49 69 1344 0

Website www.ecb.europa.eu

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

The European Central Bank (ECB) provides the secretariat for the working group on euro risk-free rates and is publishing the report solely in this capacity. The ECB does not however accept any responsibility or liability for the contents of the document and the fact that the ECB provides the secretariat for the working group should not be taken as implying in any way that it shares the views expressed in the document.

For most of the specific terminology, please refer to the [ECB glossary](#).