

Fifth meeting of the euro short-term rate (€STR) Oversight Committee

Held on Friday, 19 March 2021

Summary

Follow-up on data transmission incidents

The members of the €STR Oversight Committee discussed possible further enhancements to, and showed appreciation for, the mitigation measures deployed in response to the data transmission incidents of 2020; these measures were considered to represent significant progress. The applicable sanctions regime for cases of non-compliance with the submission deadline was recalled. The current €STR communication policy was also recalled.

€STR quarterly market and methodology reporting

Attendees were given a presentation on the €STR quarterly market and methodology report, covering the fourth quarter of 2020. The report assessed whether the methodology fulfilled its objectives, i.e. first, whether it accurately measured the rate's underlying interest within the defined €STR scope, and second, whether the €STR scope remained relevant for capturing the underlying interest. Data sufficiency, rate accuracy and representativeness were assessed positively, confirming the appropriateness of the methodology for measuring the underlying interest. The rate and its main metrics had remained stable overall in the last quarter of 2020. The members took note of the main messages of the report.

EONIA-€STR transition update

Attendees were given a presentation on the progress of the transition from the euro overnight index average (EONIA) to the €STR. The €STR has been published daily since October 2019, with publication of EONIA – calculated using a revised methodology as the €STR plus a spread of 8.5 basis points – due to cease in January 2022. The transition to the €STR as the new reference rate had been slow, with the euro overnight index swap (OIS) market still largely referencing EONIA. It was considered that the sooner the transition could be completed ahead of the EONIA cessation, the better it would be for ensuring sufficient (technical)

preparedness to use €STR-based products. The pace of transition from EONIA to the €STR would continue to be monitored.

The €STR determination process and control framework

Attendees were given a presentation on the operational experience of the €STR determination process since the last meeting of the €STR Oversight Committee on 22 October 2020. It was indicated that procedures were working correctly overall.

The quarterly transparency on errors table covering the fourth quarter of 2020 had been published on 2 February 2021 and it had included two errors. One error was the result of a late submission by a reporting agent and one was caused by the administrator.

On the publication of compounded €STR rates, the attendees were informed that on 17 March 2021 the Governing Council of the European Central Bank (ECB) had approved that the ECB would start the daily publication of the compounded €STR average rates and index every TARGET2 business day at 09:15 CET, as of 15 April 2021. The €STR Guideline¹ had been amended to cover the calculation and publication of the compounded €STR average rates and index.

Other matters

With reference to the established complaints mechanism, as provided for in Article 11 of the €STR Guideline, members were informed that, to date, no complaints had been received.

Participants

- Members of the €STR Oversight Committee
- Representatives from the Deutsche Bundesbank, the Banco de España, the Banque de France and the Banca d'Italia
- ECB officials from the Directorates General Market Operations, Secretariat and Statistics

¹ Guideline (EU) 2019/1265 of the European Central Bank of 10 July 2019 on the euro short-term rate (€STR) (ECB/2019/19) (OJ L 199, 26.7.2019, p. 8).