Press release

Brussels, 29 June 2022

Outcome of the second annual review of the Hybrid Methodology for EURIBOR®

The European Money Markets Institute (EMMI) today communicated the outcome of the second annual review of the Hybrid Methodology for EURIBOR®. The review aimed at confirming that the benchmark remains robust, resilient, and representative of its underlying market on the one hand, and at identifying any potential for further beneficial recalibrations, on the other hand.

Key facts:

The analysis run by the European Money Markets Institute in 2021 suggests that four non-material adjustments would improve the Hybrid Methodology for EURIBOR®, namely:

- Enlarging the 12-months maturity window of Level 1 by 15 days
- Using the previous 5-days banks' contributions to calculate the SAF used to determine Level 2.1
- Using the previous banks' contributions to calculate the adjustment used to determine Level 2.2
- Qualifying a Level 2.2 rate as eligible if the original volume of the trade is higher than EUR 10 million

In close collaboration with the Panel Banks, these favourable amendments to the Hybrid Methodology for EURIBOR® will be implemented on 3 October 2022.

The regulation of the European Union on financial benchmarks (BMR) requires benchmarks administrators to periodically review their benchmarks' methodologies. The European Money Markets Institute performed the second annual review of the Hybrid Methodology for EURIBOR® with a twofold objective: confirming that the benchmark remains robust, resilient, and representative of its underlying market on the one hand, and identifying any potential for further beneficial recalibrations, on the other hand.

The European Money Markets Institute considered and analysed a number of scenarios, based on the data gathered from the Panel Banks in the period May-October 2021. These scenarios entailed changes in the volume threshold for individual transactions, the inclusion of the counterparty sector with non-financial corporates and, finally, amendments to certain maturity buckets.

Based on the outcome of the review, four relevant adjustments have been identified and will be implemented as from 3 October 2022. "Just like in the case of the first annual review, this second one doesn't mean a new Hybrid Methodology at all as only four specific parameters will be fine-tuned. These changes should not increase resources for panel banks, since they are only mild adjustments to eligibility criteria and formulaic approach of Level 1 and Level 2, which are calculated internally by EMMI," said Jean-Louis Schirmann, CEO of the European Money Markets Institute.

The combination of these four methodological 'upgrades' will serve the representativeness of the benchmark, without inducing unwanted volatility or inflicting unnecessary material changes. They will have a positive effect on EURIBOR® by improving its robustness and making it even more resistant to undue fixing influence. They will also induce an increase in the share of Level 1 and Level 2 contributions, a decrease in the share of Level 3 submissions and, lastly, an enhancement of the benchmark's responsiveness to market events.

More information on the Hybrid Methodology for EURIBOR®:

https://www.emmi-benchmarks.eu/benchmarks/euribor/methodology/

Media contact

Isabelle Coppens, Associate Director Weber Shandwick
icoppens@weberschandwick.com
+32 2 894 90 16

Ismaël Boukamher, Communication Officer EMMI
I.boukamher@emmi-benchmarks.eu

About The European Money Markets Institute

Based in Brussels, The European Money Markets Institute (EMMI) is a non-for-profit association founded in 1999 by the national banking associations of the Member States of the European Union, along with the introduction of the euro.

The European Money Markets Institute is an Authorised Administrator under the Benchmarks Regulation of the European Union (BMR). As such, we develop and administer Euribor®, a robust critical benchmark. We work continuously to reinforce transparency and enhance the governance framework of our benchmarks, in order to preserve their high quality and integrity. Emmi is supervised by the European Securities and Markets Authority (ESMA).

EURIBOR® is the unsecured money market reference rate for the euro. The benchmark was declared a critical benchmark by the European Commission in 2016 because of its systemic importance for financial stability.

The European Money Markets Institute also promotes standards, practices, and labels like STEP, standing for Short-Term European Paper. STEP establishes common practices and standards for the documentation of short-term paper programmes in Europe.

The European Money Markets Institute also explores new initiatives to answer market needs, always in compliance with the current regulatory context and market recommendations.

More info: www.emmi-benchmarks.eu