

Newsletter

November
2022

Success and achievements

Dear readers,

The past quarter has been very successful and we have been able to achieve the objectives that we have set to ourselves.

In addition to the implementation of the second annual review of the Hybrid Methodology for EURIBOR®, we are strengthening the robustness of this benchmark by including a new contributing bank and by publishing a fallback rate to support it.

As of 2 November, Raiffeisen Bank International AG will be a new member of the EURIBOR® panel bank. We would like to welcome them! As an Austrian bank, it will diversify the profile of credit institutions that contribute to the calculation of EURIBOR®.

EFTERM®, the EURIBOR® fallback rate, will be launched on 14 November 2022. The public consultation we conducted this summer confirmed the methodological approach for the calculation of this rate. The respondents were very supportive and embraced this initiative with great enthusiasm. The outcome of this process will greatly benefit EURIBOR® users in relation to the legal requirements under the EU Benchmark Regulation.

We also offer you the opportunity to read the latest echoes from the money market. The Euribor Transparency Indicators in this edition cover the period from September 2021 to September 2022.

I wish you a pleasant reading and look forward to meeting you back in our next edition.

Kind regards,

Jean-Louis Schirmann

CEO – The European Money Markets Institute

New Board of Directors members

We are pleased to welcome Olivier Mittelette and Paolo Muti as new members of the Board of Directors since 25 July 2022.

Olivier Mittelette (°1970) has a strong experience in both public and private sector. He is also Head of the Corporate and Investment Banking department at the French Banking Federation.

Paolo Muti (°1978) is specialised in Public Affairs with a background in banking and finance. He is Senior Advisor in European Public Affairs at the Italian Banking Federation.

Raiffeisen Bank International AG becomes a contributor to EURIBOR®

As of 2 November 2022, The European Money Markets Institute will welcome Raiffeisen Bank International AG (RBI) as a new member of the EURIBOR® panel, the group of credit institutions that contribute to the calculation of EURIBOR®.

This is an important development as RBI's participation will diversify and expand the profile of contributors geographically as it is the first Austrian bank contributing under EURIBOR's Hybrid Methodology. Therefore, the representativeness of EURIBOR® will be further increased.

forward-looking fallback rate to EURIBOR® which will be officially launched in the fourth quarter of 2022.

Hannes Mösenbacher, CRO of RBI: "We are very pleased to be included in the EURIBOR® panel. As Austria's second-largest bank, we are obviously a regular user of the panel's interest rate calculations and consider it important to support it. Based on our strong governance framework we will reliably contribute to strengthen EURIBOR®."



The EURIBOR® panel is based on credit institutions that contribute on a voluntary basis. Their commitment to EURIBOR® ensures its continued availability and supports EMMI's commitment to provide a robust and reliable critical benchmark.

All contributors comply with the requirements laid down in the EURIBOR® Code of Obligations of Panel Banks (COPB) for aspects related to their contribution procedures.

"We are very pleased to be included in the EURIBOR® panel. As Austria's second-largest bank, we are obviously a regular user of the panel's interest rate calculations and consider it important to support it."

- Hannes Mösenbacher, CRO of RBI

Jean-Louis Schirmann, CEO of EMMI: "The contribution of RBI, a major actor in Austria and in Central and Eastern Europe, is important for the sustainability and robustness of EURIBOR® over the long term. It serves the money market stability in Europe."

This excellent news confirms a very productive year around the new developments of EURIBOR®: the outcome of the second annual review of the Hybrid Methodology and the creation of EFTERM®, the

Launch of the euro forward-looking term rate EFTERM®

The European Money Markets Institute (EMMI) is proud to announce the launch of EFTERM® on 14 November 2022. This is a prominent event given that this new fallback rate will help EURIBOR® users to comply with the relevant legal requirements under the EU Benchmarks Regulation.

Jean-Louis Schirmann, CEO of EMMI: "The methodology we proposed was very well received by the different market players. It will allow us to publish the EFTERM® rates this year and satisfy the EURIBOR® users. We will offer the EFTERM® fallback rates with the EURIBOR® data at no extra charge."

EFTERM® is the fruit of a well thought-out process involving different stakeholders. EMMI appointed ICE Benchmark Administration Limited (IBA) as the calculation agent for EFTERM®.

"Combining EMMI and IBA's extensive experience administering some of the world's most critical benchmarks allows us to offer the market a robust EFTERM® rate, underpinned by a waterfall methodology familiar to market participants and following a similar structure to that of ICE Swap Rate® and the ICE® Term SONIA and ICE® Term SOFR Reference Rates," said Clive de Ruig, President of IBA.

After starting in June 2022 the publication of the Beta version of this euro forward-looking term rate, EMMI launched a public consultation from 1 July until 31 August 2022. The objectives were to present the approach composed of a three-level waterfall, and to gather the markets' views on certain

features of this fallback rate. The EFTERM® methodology presented is based on recommendations issued by the Euro Risk Free Rate Working Group (RFR WG).

"Combining EMMI and IBA's extensive experience administering some of the world's most critical benchmarks allows us to offer the market a robust EFTERM® rate, underpinned by a waterfall methodology familiar to market participants and following a similar structure to that of ICE Swap Rate® and the ICE® Term SONIA and ICE® Term SOFR Reference Rates,"
– Clive de Ruig, President of IBA.

EMMI collected answers from 16 stakeholders, covering the banking sector and trade associations. The feedback received was favorable to the proposed methodology. The respondents particularly appreciated the effort to develop a fallback rate to EURIBOR®. They also agreed the features of the methodology described in the Consultation Paper are robust and solid. The summary of stakeholder feedback is available on the EMMI website [here](#).

Taking into consideration all the respondents' feedback and comments received, EMMI is comfortable that the methodology described in the

Consultation Paper ensures EFTERM®'s robustness and representativeness. Nevertheless, EMMI has taken into consideration several suggestions from respondents when finalising the Benchmark Determination Methodology for EFTERM®. This document is published on the EFTERM® section of EMMI's website.

To ensure EFTERM®'s sustainability, reliability and integrity but also to ensure compliance with the EU Benchmarks Regulation (BMR), EMMI has put in place a Governance Framework consisting of effective control and oversight arrangements for the Administrator and for the Calculation Agent. Documents related to this Governance Framework including the Benchmark Determination Methodology are published on the EFTERM® section of EMMI's website [here](#).

EMMI intends to proceed with the implementation of the methodology and to go live with the publication of EFTERM® rates on 14 November 2022.



EMMI press review

"Le futur, c'est l'EURIBOR" | Interview of Satu Huber in Revue Banque - Click [here](#)

"Euribor in expansion mode for first time since rigging scandal"

Interview of Jean-Louis Schirmann In Reuters - Click [here](#)

"Das European Money Markets Institute stellt ab 14. November Ersatzzins für Euribor zur Verfügung"
finanznachrichten.de (Dow Jones) - Click [here](#)

Euribor® Transparency Indicators

Continuous improvement for Euribor®

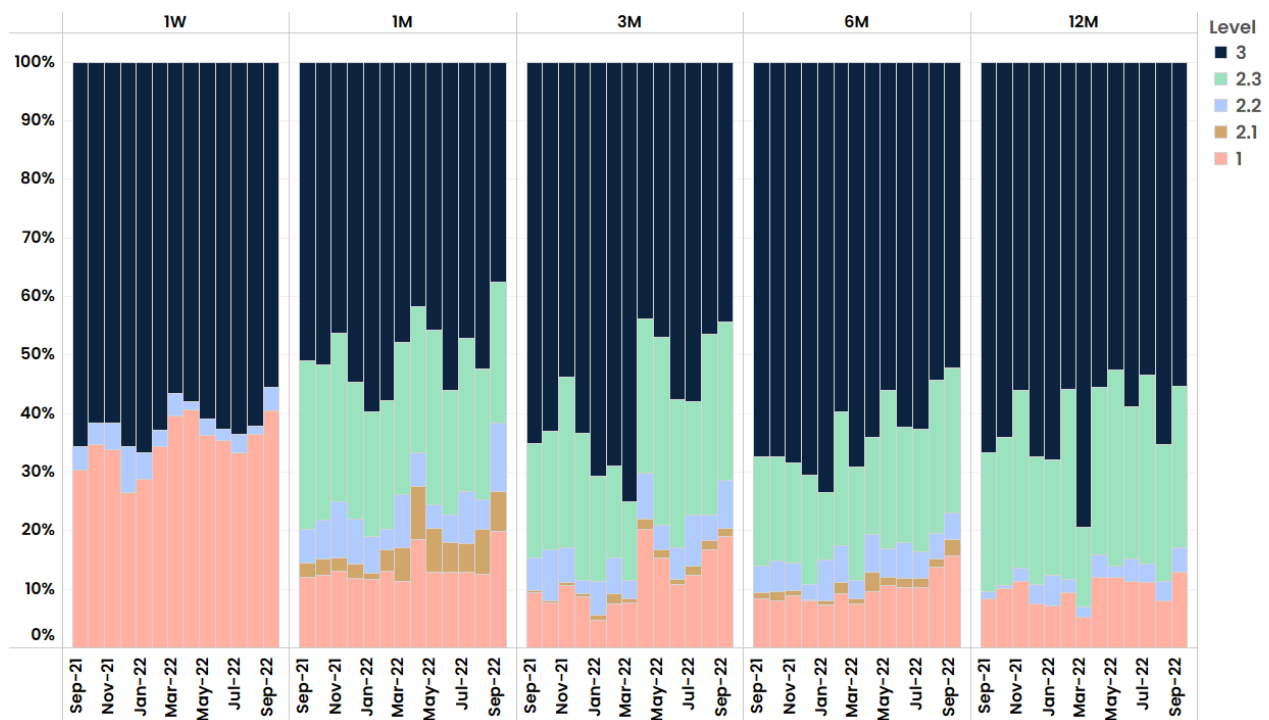
Euribor® Transparency Indicators for the period September 2021 – September 2022

Use of each level of the Hybrid Methodology, broken down by tenor and date

The share of Level 3 contributions decreased between August 2022 and September 2022 compared to previous months.

The decrease was due to two main factors:

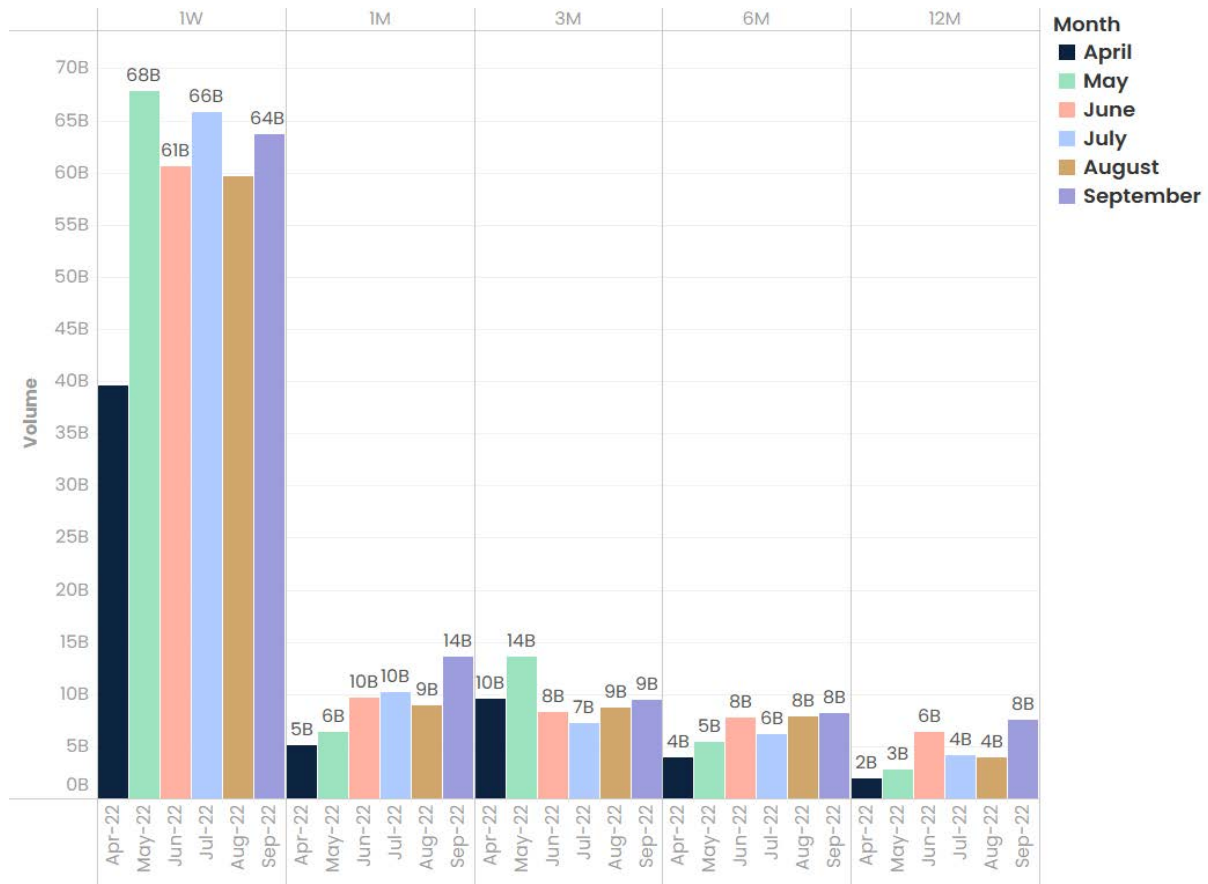
- An increase of Level 1 transactions across all maturities compared to previous months.
- Consequently, more previous days' transactions could be used for Level 2.3 (see chart below).



Source: The European Money Markets Institute | Timeframe: 09/2021 – 09/2022

Aggregate notional volumes of transactions used in the determination of Euribor® (Level 1 and Level 2.2¹)

Aggregate notional volumes have increased during the observed period.

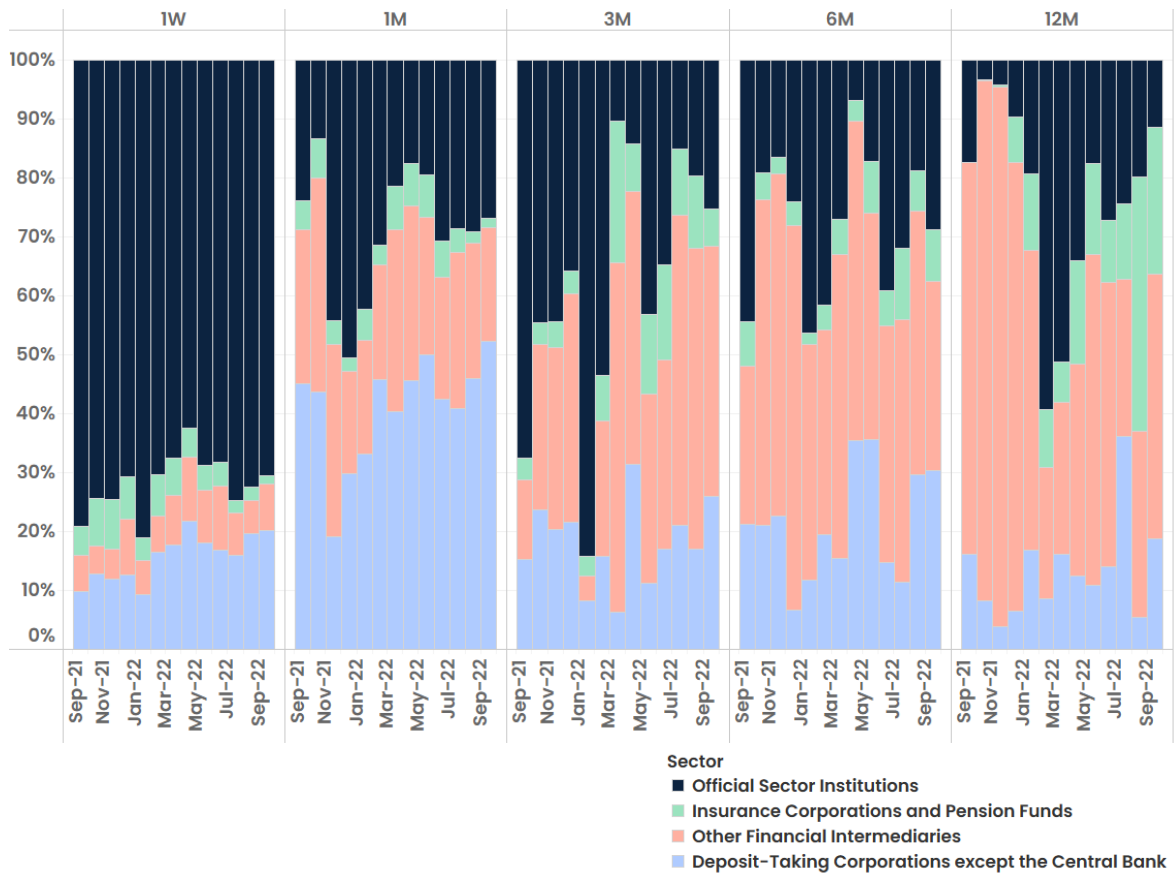


Source: The European Money Markets Institute | Timeframe: 04/2022 – 09/2022



¹ For Level 2.2, only the portion of the overall volume of the transaction that is attributed to a particular tenor is considered

Counterparty sectors² share of volume used in the determination of Euribor® (Level 1 and Level 2.2), broken down by tenor



Source: The European Money Markets Institute | Timeframe: 09/2021 – 09/2022

The public sector still has a dominant share in the one-week band. While on the longer end of the curve, other Financial Intermediaries were most active and the public sector shrinks. Specially since interest rates increased.



² The counterparty classification is based on the definitions of the European System of Accounts (ESA 2010) as follows: Deposit-Taking Corporations except the Central Bank: S.122; Other Financial Intermediaries: S.123 – S.127; Insurance Corporations and Pension Funds: S.128, S.129; Official Sector Institutions: S.121, S.13 (more information can be found [here](#)).