

Press release

Brussels, 11 October 2023

EMMI Consultation Paper: Proposed Changes to Euribor Methodology

Reformulation of Level 2.3 and discontinuation of Level 3

Today, the European Money Markets Institute (EMMI) announces the release of a consultation paper proposing changes to the Euribor methodology, a critical benchmark widely used in the global financial system for a broad range of financial products and contracts. The consultation paper outlines EMMI's efforts to further enhance Euribor's methodology and invites feedback from market participants, interested parties and stakeholders at large.

With the start of the euro in January 1999, the Euribor index was created and replaced domestic reference rates across the Eurozone. Euribor is nowadays a major euro interest reference rate, administered by the European Money Markets Institute (EMMI). In 2016 it was designated as a critical benchmark. EMMI was authorised by the Belgian Financial Services and Markets Authority (FSMA) for the administration of Euribor on 2 July 2019 and was included in the European Services and Markets Authority's (ESMA) Register of benchmark administrators on 4 July 2019. On 1 January 2022, ESMA became EMMI's supervisory authority.

Proposed Changes to Euribor Methodology

EMMI's commitment to maintaining the integrity and reliability of the Euribor benchmark has led to a comprehensive review of its methodology. The proposed changes are designed to address specific aspects of the benchmark while preserving its core characteristics. The key elements under consideration are:

1. Reformulation of Level 2.3 by introducing a number of changes, in particular enlarging the starting point for its calculation, and redefining the Market Adjustment Factor (MAF) to better reflect changes in interest rates as well as changes in the perceived credit risks.
2. Discontinuation of Level 3: the reformulation of Level 2.3 with its proposed features will allow to discontinue Level 3 in the current hybrid methodology. As a consequence, Euribor Panel Banks' operational and cost burdens would significantly diminish and provide an opportunity to expand the Euribor Panel while maintaining the benchmark's reliability and characteristics.

Feedback and Collaboration

EMMI believes that these enhancements will continue to provide an accurate and representative benchmark, while simultaneously streamlining the benchmark's operational processes for Panel Banks.

EMMI also recognises the importance of industry feedback in shaping these changes. The consultation paper seeks input from stakeholders and market participants to ensure that any modifications are well-informed and in the best interest of the financial community. This collaborative approach reflects EMMI's commitment to transparency and inclusivity.

How to Participate

EMMI encourages all interested parties to review the consultation paper and provide their feedback. Feedback may be submitted by e-mail to hybrid2023@emmi-benchmarks.eu specifying "Euribor Consultation 2023" as subject, full name of the respondent, job position, organisation, country, and contact telephone number. The consultation period will remain open until 11 December 2023, after which EMMI will evaluate the responses received and consider adjustments to the Euribor methodology.

A summary of stakeholder feedback will be made public by the end of February 2024 in an aggregate form and in a way that individual respondents cannot be readily identified. However, EMMI retains the right to make public the stakeholder's name as part of a list of entities which provided feedback, unless the respondent requires anonymity.

After the conclusion of the consultation process, EMMI will provide its rationale for the acceptance, modification or rejection of recommendations made by respondents to the consultation.

Further details can be found in the Benchmarks Consultation Policy available on EMMI's website. On this date, EMMI also intends to communicate the conclusions of the proposed enhancements in Euribor's methodology, as well as implementation plans.

To access the full consultation paper and submit feedback, please visit

[Consultation Paper](#)

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 explores new initiatives to answer market needs, always in compliance with the current regulatory context and market recommendations.

www.emmi-benchmarks.eu

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