

POSITION PAPER



EMMI consultation on the recommendations for EONIA of the working group on euro risk-free rates

ESBG (European Savings and Retail Banking Group)

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Q1. In view of the Working Group's recommendation, do you agree that EMMI implements the recalibrated methodology for EONIA, whereby EONIA will be defined as the €STR plus a spread? If not, please provide a rationale for your answer.

Yes. We agree in general with the Working Group recommendation that EMMI implements the recalibrated methodology for EONIA, whereby EONIA will be defined as €STR plus a spread. This approach does not require that panel banks continue contributing. However, in terms of the publication date of the one-off spread we are in favor of communicating the resulting spread as late as reasonable possible (e.g. on 1 September 2019).

Q2. Do you consider that the discontinuation of EONIA on 3 January 2022, allows for and promotes the orderly transition of the market away from EONIA to the €STR? If not, please provide a rationale for your answer.

Yes. We consider that the discontinuation of EONIA on 3 January 2022 allows for and promotes the orderly transition of the market away from EONIA to the €STR. The limited time that EONIA will be published increases the incentives to make the transition towards €STR. Additionally, a limited time makes the proposed recalibration methodology more robust, considering the spread is being defined during a fixed time window, characterized by specific market circumstances.

Q3 a). Do you agree that EMMI should avoid the continued publication of EONIA under the current methodology once the €STR starts being published? Please provide a rationale for your answer.

Yes, in order to avoid arbitration possibilities and to not discourage transition from EONIA to €STR. The proposed transition path has the lowest risk from a legal standpoint (because EONIA continues to be published) and provides clarity and helps from an operational standpoint, because there is only one EONIA (defined as €STR plus spread).

Q3 b). Do you foresee any issues arising from the projected implementation date of EONIA's recalibrated methodology on 2 October 2019? Please provide a rationale for your answer.

No, at the current state we do not foresee any issues arising from the projected implementation date, whereas further testing still needs to be performed. However, it can be questioned whether a quarter-end is the best time for doing such a switch.

Q4. Do you foresee any impediments for the preparation and implementation of changes in IT or valuation systems prior to the first publication of EONIA under the recalibrated methodology on 2 October 2019? Please provide a rationale for your answer.

No, at current state we do not foresee any issues in the preparations necessary to switch systems to cope with t+1 publication practice of recalibrated EONIA within the given time horizon, whereas further testing still needs to be performed.

Q5. Do you foresee any challenges in the calendar proposed by EMMI to transition EONIA from the current to the recalibrated methodology proposed by the Working Group? Please provide a rationale for your answer.



No, not at the current state. We do not foresee any challenges in the calendar proposed by EMMI to transition EONIA from the current to the recalibrated methodology.

Other comments

EMMI should consider undertaking a similar consultation on a possible 'T+1'-Switch of Euribor hybrid once approved.



About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 1,000 banks, which together employ 780,000 people driven to innovate at 56,000 outlets. ESBG members have total assets of €6.2 trillion, provide €500 billion in SME loans, and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking



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