

Working Group on euro risk-free rates

Newsletter December 2019



This newsletter provides an update on the work of the working group on euro risk-free rates (hereafter the working group or WG), with a focus on communication and education (see [Terms of Reference of SG7](#)). This newsletter covers recent working group updates, publications and information on the launch of the €STR. If you have questions about the content, would like to get involved in any of the events mentioned or would like to subscribe, please contact CommunicationsEuroRFR@ecb.europa.eu. Feel free to share this newsletter with others!

Working group on euro risk-free rates updates

- On 25 September 2019 the ECB held the [second roundtable on euro risk-free rates](#). The roundtable provided updates on the transition from EONIA to the €STR and the challenges arising from this transition, such as the establishment of liquidity on €STR markets and the development of €STR-based term structure methodologies that could function as fallback measures for EURIBOR.
- The [WG met on 16 October 2019](#) to discuss updates regarding the work of its different subgroups. Other topics included ISDA's plans for a EURIBOR fallback consultation, EMIR margin requirements and €STR fallback arrangements.
- The WG is currently drafting its final recommendations for the EONIA to €STR transition and how to establish liquid €STR cash and derivatives markets. One important next step for the WG is to identify fallbacks for EURIBOR based on the €STR.
- In March 2019 the working group recommended a methodology based on (tradeable) OIS quotes for calculating a €STR-based forward-looking term structure and invited [potential benchmark administrators to present their plans](#) during the WG meeting of 16 October 2019.

€STR – First days of official publication

The euro short-term rate, €STR, is published every business day based on transactions conducted and settled the previous business day. The ECB published the €STR for the first time on 2 October 2019, reflecting trading activity on 1 October 2019.

Recent WG publications

March 2019 – [Report on the transition from EONIA to €STR](#)

July 2019 - [Recommendations on the EONIA to €STR legal action plan](#)

August 2019 - [Report on the impact of the transition from EONIA to the €STR on cash and derivatives products](#)

Market developments

On 1 October 2019 ISDA [published](#) Supplement 59 to the 2006 ISDA Definitions, which adds a compounded €STR floating rate option to the Definitions.

Non-Euro RFR status

Central bank working groups on risk-free rates have also been established for GBP, USD, JPY and CHF. Updates on their work can be found on the working groups' websites, links to which are provided below:

[Working Group on Sterling Risk-Free Reference Rates](#)

[Alternative Reference Rates Committee](#)

[Cross-Industry Committee on Japanese Yen](#)

[Interest Rate Benchmarks](#)

[The National Working Group on Swiss Franc Reference Rates](#)

October 2019 - [Report on the risk management implications of the transition from EONIA to the €STR and the introduction of €STR-based fallbacks for EURIBOR](#)

October 2019 - A communications toolkit: for use in interested parties' own communication efforts to enable a smooth transition. The toolkit currently consists of:

- [Frequently asked questions](#)
- [Standard set of slides](#)
- [Checklist](#)

November 2019

- [Report on the financial accounting implications of the transition from EONIA to the €STR and the introduction of €STR-based fallbacks for EURIBOR](#)
- [High level recommendations for fallback provisions in contracts for cash products and derivatives transactions referencing EURIBOR](#)
- [Report on €STR fallback arrangements](#)

The working group on euro risk-free rates was established in February 2018 to identify and recommend risk-free rates that could serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area, such as the euro overnight index average (EONIA) and the euro interbank offered rate (EURIBOR).