



NEW WORKING GROUP ON A RISK-FREE REFERENCE RATE FOR THE EURO AREA

Today, the FSMA, ESMA, the European Central Bank and the European Commission announce the launch of a new working group tasked with the identification and adoption of a "risk-free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. The working group, chaired by a private sector representative and with the Secretariat to be provided by the ECB, will regularly consult market participants and end-users, as well as gather feedback from other public authorities. Its terms of reference will be made public and the group will regularly report on its meetings. This is to ensure transparency on all steps in the identification and adoption of a new risk free rate.

Ensuring broad market acceptance is vital for the effective functioning of any alternative to existing benchmark rates.

Once it has made a recommendation on its preferred alternative risk-free rate, the group will also explore possible approaches for ensuring a smooth transition to this rate, if needed in the future. For such a case, careful transition planning by market participants aims to minimize disruption to markets and consumers and to safeguard the continuity of contracts to the greatest extent possible, including contracts that currently reference a term rate rather than an overnight rate. These tasks require the involvement of public authorities and a concerted effort by all market participants-to facilitate a gradual reduction of the current reliance on the IBORs.

The signatory public authorities reiterate that existing rates must continue to be provided in a robust and reliable manner. The signatory public authorities therefore express their appreciation for the continued commitment of those banks contributing to the Euribor and EONIA benchmarks and expect that they will remain supportive of these benchmarks as necessary.

The European Central Bank announced earlier today (21 September) that it will start providing an overnight unsecured index before 2020. This widens the set of options for the choice of such alternative rates for the euro area and is in line with the recommendation of the Market Participants Group of the Financial Stability Board Official Sector Steering Group's (FSB OSSG) to identify and adopt one or more risk-free rates in each main currency area.

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Press contact FSMA

T direct

Email

Jim Lannoo
+ 32 2 220 57 06
Press@fsma.be

Press contact ECB

T direct

Email

William Lelieveldt
+ 49 69 13447316
william.lelieveldt@ecb.europa.eu

Press contact

T direct

Email

David Cliffe
+33 1 58 36 43 24
david.cliffe@esma.europa.eu

Press contact European Commission

T direct

Email

Vanessa Mock
+ 32 2 229 56194
vanessa.MOCK@ec.europa.eu

Press contact European Commission (2)

T direct

Email

Letizia Lupini
+ 32 2 229 51958
letizia.lupini@ec.europa.eu