

## Press release

19 February 2020

# Working group on euro risk-free rates issues recommendations to support smooth transfer of EONIA's liquidity to €STR

- Working group issues recommendations for a seamless transition from EONIA to €STR products
- All stakeholders should be made aware that EONIA-linked contracts with maturities beyond 3 January 2022 entail significant risks
- Report supplements earlier report of the working group from August 2019

The private sector working group on euro risk-free rates has today published a [report](#) on the transfer of liquidity from EONIA's cash and derivatives products to the €STR. The report supplements a previous [report](#) from the working group on the impact of the transition from EONIA to the €STR on cash and derivatives products (published in August 2019) and provides clarifications around specific topics that have been discussed since then.

The working group highlights that contracts referenced to EONIA with maturities beyond 3 January 2022 would entail significant risks. It therefore recommends that market participants should replace EONIA products with €STR products and reduce their EONIA-linked legacy exposures as soon as possible.

In order to accelerate the transition process, market-makers are encouraged to proactively price in the €STR rather than EONIA as their default, and central counterparties are recommended to consider developments in the nettability (compression) of the €STR and EONIA.

The working group expects a full migration from EONIA-linked to €STR-linked products. It therefore recommends that the current EONIA market liquidity characteristics be used as a benchmark for building the initial target for the €STR and that market participants analysing the available data assess the liquidity of the €STR derivatives market.

**For media queries, please contact [William Lelieveldt](#), tel.: +49 69 1344 7316.**

### European Central Bank

Directorate General Communications, Global Media Relations Division  
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany  
Tel.: +49 69 1344 7455, e-mail: [media@ecb.europa.eu](mailto:media@ecb.europa.eu), website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

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### **Notes**

The working group on euro risk-free rates, for which the European Central Bank (ECB) provides the secretariat, is an industry-led group established in 2018 by the ECB, the Financial Services and Markets Authority, the European Securities and Markets Authority and the European Commission. Its main tasks are to identify and recommend alternative risk-free rates and transition paths. On 13 September 2018 the working group recommended the €STR as the new euro risk-free rate to replace EONIA. The €STR reflects the wholesale euro unsecured overnight borrowing costs of euro area banks and is produced by the ECB.

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Directorate General Communications, Global Media Relations Division  
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, e-mail: [media@ecb.europa.eu](mailto:media@ecb.europa.eu), website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

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