

Press release

23 November 2020

Working group on euro risk-free rates launches two public consultations on fallbacks to EURIBOR

- Various fallback rates proposed, based upon the euro short-term rate (€STR)
- Potential events described that could trigger fallbacks
- Stakeholders asked to provide their views by 15 January 2021

The working group on euro risk-free rates has today released two public consultations on the topic of fallback rates to EURIBOR. Fallback rates are rates that can be relied upon in case of an unavailability of the main rate. In one consultation, stakeholders are invited to provide their views on fallback rates based on the euro short-term rate (€STR) and spread adjustment methodologies in order to produce the most suitable EURIBOR fallback measures per asset class. In the other consultation, stakeholders are invited to give their views on potential events that could trigger such fallback measures.

As regards €STR-based fallback rates, the working group considered two types of rates:

1) Forward-looking rates which are based on the derivatives markets referencing the €STR and which reflect market expectations of the evolution of the €STR. These rates are known at the start of the interest rate period.

2) Backward-looking rates which are based on simple mathematical calculations of the value of past realised daily fixings of the €STR over a given period of time. These rates are known and available at the end of the interest rate period.

Based on its analysis and international standards and practices the working group acknowledges that for more sophisticated and globally operating market participants the most appropriate EURIBOR fallback measure would be based on backward-looking rates. However, the working group also acknowledges that there may be some use cases for certain products or for less sophisticated and locally operating market participants where it is necessary to know the interest rate in advance, and

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therefore the forward-looking rates could be applied. As these rates do not exist at this stage and should such rates not be available in due time, the working group proposes a waterfall structure according to product types, thereby allowing users to know what rates can be used, depending on circumstances and/or preferences.

As regards potential trigger events, the working group has identified a generic set of potential EURIBOR fallback trigger events that market participants could consider including in fallback provisions in their contracts and financial instruments referencing EURIBOR.

For both consultations, stakeholders are invited to provide their views by 15 January 2021. The working group members would like to encourage responses from as many user groups as possible, among others from banks, non-bank financial corporates, non-financial corporates, industry organisations, consumer associations. A summary of the feedback received will be published. A final recommendation by the working group on euro risk-free rates on both topics, taking into account the views expressed by stakeholders in this public consultation, is expected to be published in the course of the first quarter of 2021.

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

Notes

- [Consultation on EURIBOR fallback trigger events](#)
- [Response form – EURIBOR fallback trigger events](#)
- [Consultation on €STR-based EURIBOR fallback rates](#)
- [Response form – €STR-based EURIBOR fallback rates](#)
- 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 (FSMA), the European Securities and Markets Authority (ESMA) and the European Commission. Its main tasks are to identify and recommend alternative risk-free rates and transition paths (see [Terms of reference](#)). Its current work is focused on the transition to the €STR and on fallbacks for the euro interbank offered rate (EURIBOR).

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