



Benchmark Determination Methodology for EONIA

EONIA Governance Framework

Document Information



The European
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Institute

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1. Definitions and conventions

- BMR** Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investments funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.
- RTS** Commission Delegated Regulation (EU) 2018/1637-1646 of 13 July 2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council.
- GCC** The EONIA Governance Code of Conduct sets out the governance arrangements and control framework established by The European Money Markets Institute (hereafter 'EMMI'), in its role as administrator of EONIA, for the provision of the benchmark.

Reference to regulatory requirements

For ease of reference, next to each paragraph in all documents of the EONIA Governance Framework, EMMI includes an explicit mention to the applicable EU BMR requirement, e.g.

BMR 5, 3(c) Refers to article 5, paragraph 3, point (c) in the EU BMR.

Furthermore, in case the requirement arises from a regulatory technical standard (RTS) developed by ESMA, EMMI refers to the RTS by indicating the article for which it provides further specification, e.g.

RTS 5, 2.1 Refers to article 2.1 on the RTS further specifying the requirements in EU BMR article 5 on procedures and characteristics of the oversight function.

In case the corresponding RTS includes an annex complementing its main text, reference to the annex will be made applying the same logic, e.g.

Annex 5, 1 Refers to article 1 in the annex to the RTS article further specifying the requirements of EU BMR article 5.

2. Eonia specification

2.1. EONIA specification

- BMR 3, 14**
BMR 3, 22
RTS 13, 2.1(a)
RTS 13, 2.1(b)
1. The “Underlying Interest” for EONIA is stated as: “The rate at which banks of sound financial standing in the European Union and European Free Trade Area (EFTA) countries lend funds in the interbank money market in euro.”
 2. EONIA is published for the overnight maturity.

3. Determination methodology overview

3.1. Input data

- RTS 13, 2.1(d)**
3. The Benchmark Determination Methodology for EONIA relies on the euro short-term rate (€STR), the euro unsecured overnight interest rate administered and published by the European Central Bank on the basis of transaction data already available to the Eurosystem through the ECB’s money market statistical reporting (MMSR).
- RTS 13, 2.1(a)**
4. The euro short-term rate (€STR) reflects the wholesale euro unsecured overnight borrowing costs of banks located in the euro area.¹
- BMR 11, 1(a)**
BMR 12, 1(a)
BMR 12, 2
RTS 13, 2.1(c)
RTS 13, 2.1(d)
5. EONIA is grounded in euro money market transactions conducted and settled on the previous TARGET² business day (day T) with a maturity date of T+1 and which are deemed to be executed at arms’ length and thereby reflect market rates in an unbiased way.

4. Calculation and publication

4.1. Calculation

6. EONIA is calculated and published for each TARGET business day.
- RTS 13, 2.1(d)**
7. EONIA is calculated as the sum of the euro short-term rate (€STR) and a fixed parameter (*spread*) of 0.085% (8.5 basis points).

¹ See article 3 of the [Guideline \(EU\) 2019/\[1265\] of the European Central Bank of 10 July 2019 on the euro short-term rate \(€STR\)](#).

² TARGET stands for Trans-European Automated Real-time Gross settlement Express Transfer System. The Eurosystem maintains TARGET2, which is the second generation of TARGET and is a real-time gross settlement system. Throughout this document, references to “TARGET” should be read with respect to the Eurosystem’s TARGET2 system.

8. The *spread* was fixed on 31 May 2019 and was computed by:³
 - Calculating the daily spread between EONIA and pre-€STR for the most recent year of publicly available pre-€STR data (from 17 April 2018 until 16 April 2019);
 - ordering the spread series from the lowest to the highest spread;
 - removing exactly 15% of observations from the top and the bottom of the sorted series (with partially weighted inclusion of the observations at the border, if relevant);
 - calculating the arithmetic average of the remaining 70% of observations.
9. The *spread* represents a measure of the economic difference between the underlying interests of EONIA and the euro short-term rate (€STR).
10. EONIA follows an Actual/360 day count convention and is displayed to three decimal places.

4.2. Publication

11. EONIA is published daily on every TARGET business day, at or shortly after 9:15 a.m. CET.⁴ The rate will be made available to all its subscribers and authorised data vendors.
12. Historical data for EONIA is also made publicly available on a delayed basis on EMMI's official website, as per Paragraph 17.e.

4.3. Fallback provisions

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|---|--|
| <p>BMR 12, 3
RTS 13, 2.1(I)</p> | <p>13. If the European Central Bank does not publish the euro short-term rate (€STR) by 9:10 a.m. (CET), the EONIA rate of the previous TARGET business day will be republished at or shortly after 9:15 a.m. (CET), and will be used as the EONIA rate for that day. Any republished rate from the previous TARGET business day will be identified as such by EMMI on its webpage.</p> |
| <p>BMR 12, 3
RTS 13, 2.1(I)</p> | <p>14. If the event described in Paragraph 13 persists, the EONIA Steering Committee shall be convened in a special session as soon as practicable on notification of a contingency event, in order to devise a resolution strategy. This strategy should be implemented within a period no longer than 3 fixing days of the prior fixing established under the regular process. The prior fixing may be re-published as the fixing for the days in this period.</p> |

³ The European Central Bank calculated the *spread* based on the methodology as recommended by the Working Group on euro risk-free rates. More details on the ECB's calculation can be found in the ECB's corresponding [press release](#).

⁴ See Paragraph 15 and footnote 5.

4.4. Error handling policy

15. EMMI does not maintain a specific re-fixing policy for EONIA.⁵
16. Should an incorrect EONIA rate (based on correct input data) be published at 09:15 a.m. (CET) for whatever reason, EMMI will promptly publish a corrected rate as soon as practicable. Any corrected rates will be identified as such by EMMI on its webpage.

5. Transparency

- BMR 13,1**
17. The following information on the EONIA governance and rate-setting process shall be publicly disclosed on the EMMI website:
 - a. The EONIA Governance Framework, including this BDM and the EONIA Governance Code of Conduct, including the EONIA Steering Committee Terms of Reference;
 - b. The procedures for consulting on any proposed material change in the EONIA methodology and the rationale for such changes, including a definition of what constitutes a material change to the EONIA benchmark and the circumstances in which EMMI should notify users, as determined on the EMMI Benchmarks Consultation Policy;
 - c. Membership of the EONIA Steering Committee along with declarations of conflicts of interest;
 - d. The minutes of the EONIA Steering Committee; and
 - e. The EONIA daily rate, monthly and yearly averages on a delayed basis.

6. Periodic review of the methodology

6.1. Assessment of Underlying Market and Methodology

18. Given the definition of the Underlying Interest in Paragraph 1, the “Underlying Market” of EONIA is defined as the unsecured euro bank lending market.

⁵ The euro short-term rate (€STR) will be calculated and published at 8:00 a.m. CET on each TARGET day. If errors are detected following the publication of the euro short-term rate (€STR) that affect the euro short-term rate (€STR) by more than 2 basis points, the ECB will revise and re-publish the €STR on the same day at 09:00 CET. No changes will be made to the euro short-term rate (€STR) after that time. (See ECB's [press release](#).) By relying on the euro short-term rate (€STR) available on the ECB's Market Information Dissemination platform at 9:00 a.m. CET, EMMI minimises potential operational burden on users arising from a re-fixing process. In addition, it guarantees the quality of the input data used to calculate EONIA.

- BMR 11, 1(a)** 19. EMMI prepares a quarterly report on the Underlying Market of EONIA relying on a
BMR 11, 2(c) variety of market sources, most notably the Money Market Statistical Reporting
BMR 12, 2(a) (MMSR) dataset of the ECB to assess the size, normal liquidity, concentration and
dynamics of the market.
- BMR 12, 1(c)** 20. In addition to the quarterly reporting, EMMI performs an annual assessment of the
BMR 13, 1(b) EONIA methodology that builds on the quarterly analysis.
RTS 13, 3.1
- BMR 13, 1(c)** 21. In conjunction with the annual assessment of EMMI, the EONIA Steering Committee
RTS 13, 3.1 performs a review of the benchmark's definition and methodology at least
annually, and makes recommendations to EMMI's Governing Bodies as per the
EONIA Steering Committee Terms of Reference.

6.2. Criteria for the Implementation of Changes

- BMR 11, 4** 22. Based on the assessment above, EMMI will decide at least annually on any
RTS 13, 2.1(k) changes to the EONIA methodology.
23. Where a proposed change to the methodology would constitute a material
change to the benchmark, EMMI will follow the due process set out in the EMMI
Benchmarks Consultation Policy. The EONIA Steering Committee ultimately defines
what constitutes a material change of the benchmark.
- BMR 11, 4** 24. Any proposed changes to the methodology are overseen, monitored and
RTS 13, 3.1 approved for implementation by the EONIA Steering Committee. The Guiding
RTS 13, 3.1 Principles are as set out in the EMMI Benchmarks Changes and Cessation Policy.

6.3. EONIA cessation

25. EONIA will continue to be calculated and published up until 3 January 2022, date
in which EONIA will be discontinued.
- BMR 11, 4** 26. The orderly cessation of EONIA will be overseen and monitored by the EONIA
RTS 13, 3.1 Steering Committee, following the Guiding Principles in Section 3 of the EMMI
RTS 13, 3.1 Benchmarks Changes and Cessation Policy.