European Money Markets Institute

Press statement – For immediate release

OUTCOME OF THE FIRST ANNUAL REVIEW OF THE HYBRID METHODOLOGY FOR EURIBOR®

Brussels, 2nd February 2021 – The European Money Markets Institute today communicated the outcome of the first annual review of the Hybrid Methodology for Euribor®. The review aimed at confirming that the benchmark remains robust, resilient, and representative of its underlying market on the one hand, and at identifying any potential for further beneficial recalibrations, on the other hand.

Key facts:

The analysis run by the European Money Markets Institute in 2020 suggests that four non-material adjustments would improve the Hybrid Methodology for Euribor®, namely:

- Reducing the minimum size threshold for eligible transactions from EUR 20 million to EUR 10 million
- Including T+3 settlement amongst eligible transactions
- Increasing the lookback period of usable historical Level 1 contributions by one day
- Rolling forward the quarterly Euribor® futures used to adjust historical contributions by one Target day

In close collaboration with the Panel Banks, these favourable amendments to the Hybrid Methodology for Euribor® will be implemented on 19 April 2021.

The regulation of the European Union on financial benchmarks (BMR) requires benchmarks administrators to periodically review their benchmarks' methodologies. The European Money Markets Institute performed the first annual review of the Hybrid Methodology for Euribor® with a twofold objective: confirming that the benchmark remains robust, resilient, and representative of its underlying market on the one hand, and identifying any potential for further beneficial recalibrations, on the other hand.

The European Money Markets Institute considered and analysed a number of scenarios, based on the data gathered from the Panel Banks in the period January-August 2020. These scenarios entailed changes in the volume threshold for individual transactions, the inclusion of the counterparty sector with non-financial corporates and, finally, amendments to certain maturity buckets.

Based on the outcome of the review, four relevant adjustments have been identified and will be implemented as from 19 April 2021. "*This first annual review in no way means a new Hybrid Methodology as only four specific parameters will be finetuned. The enhanced Hybrid Methodology for Euribor® will measure the same underlying interest, just in a better, more efficient way*", said Jean-Louis Schirmann, CEO of the European Money Markets Institute.

The combination of these four methodological ‘upgrades’ will serve the representativeness of the benchmark, without inducing unwanted volatility or inflicting unnecessary material changes. They will have a positive effect on Euribor® by improving its robustness and making it even more resistant to undue fixing influence. They will also induce an increase in the share of Level 1 and Level 2 contributions, a decrease in the share of Level 3 submissions and, lastly, an enhancement of the benchmark’s responsiveness to market events.

More information on the Hybrid Methodology for Euribor® is available in the Benchmark Determination Methodology for Euribor®.

More information about the European Money Markets Institute

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