

15 July 2021

Call For Expression of Interest to Join the Working Group on Euro Risk-Free-Rates

This circular is being addressed to market participants, particularly those falling within the scope of the Benchmarks Regulation ('BMR'), *inter alia* administrators of benchmarks¹, contributors of benchmarks² and users of benchmarks³.

1.0 About the Working Group on Euro Risk-Free-Rates

In 2017, the European Central Bank ('ECB'), the European Securities and Markets Authority ('ESMA'), the European Commission ('EC') and the Belgian Financial Services and Markets Authority established the working group on euro risk-free-rates (the 'WG'). Its mandate was to identify and recommend risk-free rates which could serve as an alternative to the benchmarks (such as EONIA, EURIBOR, etc.) which are currently used in a wide array of financial instruments and contracts across the euro area.

The WG is a private sector working group, hence the public institutions only act as observers. On 13 September 2018 the WG recommended that the alternative risk-free rate for the euro area should be the euro short-term rate ('€STR'). Thereon the WG was focused on supporting the market with the transition to the €STR.

On 11 May 2021, following the launch of two public consultations, the WG recommended EURIBOR fallback trigger events and rates to support market participants in developing contractual fallback provisions to be used in a scenario where EURIBOR may permanently cease to exist.

¹ In terms of Article 3(1)(5) of BMR, provision of a benchmark means: (a) administering the arrangements for determining a benchmark; (b) collecting, analysing or processing input data for the purpose of determining a benchmark; and (c) determining a benchmark through the application of a formula or other method of calculation or by an assessment of input data provided for that purpose.

² Pursuant to Article 3(1)(8) of BMR, contribution of input data refers to providing any input data not readily available to an administrator, or to another person for the purposes of passing to an administrator, that is required in connection with the determination of a benchmark and is provided for that purpose.

³ Article 3(1)(7) of BMR defines use of a benchmark as: (a) issuance of a financial instrument which references an index or a combination of indices; (b) determination of the amount payable under a financial instrument or a financial contract by referencing an index or a combination of indices; (c) being a party to a financial contract which references an index or a combination of indices; (d) providing a borrowing rate as defined in point (j) of Article 3 of Directive 2008/48/EC calculated as a spread or mark-up over an index or a combination of indices and that is solely used as a reference in a financial contract to which the creditor is a party; and (e) measuring the performance of an investment fund through an index or a combination of indices for the purpose of tracking the return of such index or combination of indices, of defining the asset allocation of a portfolio, or of computing the performance fees.

2.0 The New Working Group

Following the recommendation of the EURIBOR fallback trigger events and rates made by the WG on 11 May 2021, the incumbent WG has completed its agreed deliverables. In this respect, to continue contributing toward the reform and assisting in the coordination of private and public sector efforts, the WG will continue to exist under a new structure and mandate.

Amongst others, the new WG will focus on the following key areas:

- The transition from EONIA to €STR for a wide range of financial products by the end of 2021;
- Inform, raise awareness and educate users in relation to the interest rates reform in the European Union ('EU');
- The adoption of EURIBOR fallback provisions by supervised entities in the EU in a timely manner;
- The identification of potential issues in connection with the impact of the LIBOR discontinuation in the EU; and
- Coordinating with similar working groups in other jurisdictions on cross currency issuers.

In terms of structure, the new group will also be chaired by a private sector representative whereas ESMA will provide the secretariat. The WG is currently made up of 23 voting members and five associations as non-voting members.

3.0 Call for Expression of Interest

To enhance representativeness of the new WG composition through the addition of any relevant stakeholders from the benchmark industry, the WG is launching a call for expression of interest for any financial firms to join the WG. Currently, the WG is largely made up of credit institutions, hence the call for expression of interest is primarily addressed at market infrastructure providers, investment funds as well as any other financial firms and users of benchmarks which are at present not represented sufficiently or at all. The chosen financial firms will be joining the WG as voting members and are thus expected to actively contribute towards the activities of the WG.

For those interested further information on the Call for Expression of Interest and the new WG's Terms of Reference can be accessed through the following [link](#).

Applications must be submitted using the dedicated application form available on ESMA's Website through the following [link](#) and in accordance with the accompanying instructions. Applicants are also expected to provide a brief overview of their motivations and to outline their willingness to dedicate time and resources to the work of the new WG.

The deadline for the applications is 30 July 2021.

Contacts

Should you have any queries relating to the above kindly contact the Authority on benchmarks@mfsa.mt.

We thank you in advance for your cooperation.