



European Money Markets Institute

# Benchmarks Changes and Cessation Policy

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Version 1 <i>Transition Policy</i>	14 May 2015	General Assembly	D0488C-2014
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## 1. Introduction

The European Money Markets Institute (EMMI) adopted a Transition Policy on **14 May 2015**. The Transition Policy was reviewed and replaced by this Benchmarks Changes and Cessation Policy (hereinafter “the Policy”), adopted on 31 January 2019. The Steering Committee will review this Policy at least on an annual basis and recommend changes, as necessary, to the EMMI Board of Directors and the General Assembly. This Policy is applicable to the administration and operation of the EONIA and EURIBOR benchmarks.

## 2. Objective

EMMI recognizes the important role that the Eonia and Euribor benchmarks play in the financial system. In order to ensure the integrity of these indices and provide for the continued stability of the financial markets, EMMI has developed the program outlined in this Policy to be executed in the event of changes in the methodology or the possible cessation of either of the benchmarks or, when applicable, one or more of its tenors. This Policy applies to scenarios in which it becomes necessary to either change or suspend - temporarily or permanently - the calculation and publication of the EONIA and/or Euribor benchmarks due to circumstances, including but not limited to:

- Secular changes in underlying money markets which result in EONIA or Euribor becoming less financially relevant or less feasible to be produced accurately;
- Prolonged execution of contingency scenarios that cannot be remediated within a reasonable timeframe, such as unacceptably low panel participation;
- Supervisory authorities require EMMI to change the methodology, the code of conduct or other rules of EMMI benchmarks according to art. 23 of Regulation (EU) 2016/1011 ('BMR'); or
- Supervisory authorities decide to suspend or withdraw the authorisation according to art. 35 of Regulation (EU) 2016/1011 ('BMR').

This Policy also applies to instances in which EMMI may decide it appropriate or necessary to suspend the calculation and publication of any one of the Euribor benchmark tenors as a result of any benchmark definition or calculation methodology changes.

## 3. Guiding Principles

In designing, planning, and executing proposed changes to or a cessation of the EONIA or Euribor benchmarks, EMMI should have regard to the following guiding principles:

- Recognizing that responsibility for successful design, planning, and implementation and execution lies not only with EMMI, but with key stakeholders such as benchmark providers, end-users, public authorities, and market utilities;
- Considering the strength and stability of the financial markets through the change or the cessation process;
- Recognizing the economic and financial impact that may result from changes or the cessation of the EONIA or Euribor benchmark;
- Encouraging subscribers and stakeholders who have financial instruments that reference the EONIA or Euribor benchmark to both implement robust fall-back provisions in appropriate contracts and documentation in the event of cessation or material changes and make end-users aware of the risks of such cessation or modification.

#### 4. Design and implementation of a change or cessation plan

In the event of a change, the complete discontinuation of the EONIA or Euribor benchmark, or the cessation of one of the Euribor benchmark tenors, consideration should be given to these key elements of the change or cessation plan design and implementation, when appropriate:

**Adequate advance notice** – EMMI shall inform stakeholders and end users with an adequate advance notice in order to allow for the identification and implementation of alternative arrangements, amendments to contractual documentation and adherence to regulatory and industry benchmark governance and design standards. When assessing the timing, consideration should also be given to urgency, if any, of changing or ceasing the benchmark. EMMI shall also address scenarios in which no alternative benchmark is identified, where contingency arrangements will be adopted as a temporary substitute.

**Materiality of the change** – The change or cessation plan design will be based on one of three scenarios: (i) where the alternative benchmark can be considered an evolution of EONIA or Euribor; (b) where the alternative benchmark has marked distinct features relative to EONIA or Euribor; and (c) a controlled “wind-down” path where no alternative benchmark can be identified.

**Interim Arrangements** – If deemed necessary, EMMI shall develop robust procedures and practices to ensure that the determination of EONIA or Euribor is continued over an interim period in order to permit existing contracts to migrate to an alternative Benchmark if necessary.

**Legal, Regulatory, Accounting, and Tax Implications** – When announcing a change or a cessation of a benchmark, EMMI should advise stakeholders and end-users to give consideration, when identifying feasible alternative benchmarks, to the legal risks involved in transition, including contract frustration, and the accounting and tax implications for end-users of transition to an alternative benchmark.

**Infrastructure Requirements** –EMMI shall consider the development of new or re-purposed market utilities that may be needed to support alternative benchmarks. Additionally, internal systems at panel bank members, data vendors, and other stakeholders may need to be adapted to alternative benchmarks.

**Role of the Official Sector and Relevant Stakeholders** – The role of the official sector, including governments, regulators, and corresponding international public sector bodies should be considered when mitigating the risks associated with benchmarks change(s) or cessation. Additionally, relevant third parties should be incorporated into the planning, design, and implementation phases to aid the development of third party tools that may reduce transition risk, such as market protocols.

## 5. Stakeholder Consultation

EMMI shall engage stakeholders and end-users as early as possible, in the event a change or the cessation of a Euribor benchmark tenor or the EONIA or Euribor benchmark appears likely. The stakeholder consultations will be conducted in line with the EMMI Benchmark’s Consultation Policy.

Consultations may be held during the planning, design, review, and implementation phases of the benchmark change(s) or cessation.

Consultation topics may include proposed changes in the methodology of the benchmarks, the selection of alternative benchmarks, differentiated impact assessments, required notice periods and transition durations, and provisions for the maintenance of EONIA or Euribor during any interim transition period.

## 6. Authority

In accordance with its Terms of Reference, the Steering Committee will oversee, monitor and approve the implementation of proposed changes to the benchmark. The Steering Committee will also review and recommend fallback procedures and contingency arrangements in the event that the benchmark cannot be published, as well as any procedures for the cessation of the benchmark.

In the event that a change or a permanent suspension of the benchmark should be foreseen, after the outcome of a stakeholder consultation, the final decision should be taken by the EMMI governing bodies (the EMMI Board of Directors and EMMI General Assembly) upon recommendation from the Steering Committee. Once a plan for a change/cessation or final decision is taken by the EMMI governing bodies, such decision shall be publicly communicated with no delay.