

EONIA® Joint Statement

- ACI - THE FINANCIAL MARKETS ASSOCIATION
- BANKING FEDERATION OF THE EUROPEAN UNION
- EUROPEAN COMMITTEE OF OPTIONS AND FUTURES EXCHANGES
- EUROPEAN ASSOCIATION OF COOPERATIVE BANKS
- EUROPEAN FEDERATION OF BUILDING SOCIETIES
- EUROPEAN FEDERATION OF FINANCIAL ANALYSTS' SOCIETIES
- EUROPEAN MORTGAGE FEDERATION
- EUROPEAN SAVINGS BANKS GROUP
- FEDERATION OF EUROPEAN STOCK EXCHANGES
- INTERNATIONAL PRIMARY MARKET ASSOCIATION
- INTERNATIONAL SECURITIES MARKET ASSOCIATION
- INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION

JOINT STATEMENT ON SOME TECHNICAL FEATURES OF THE EFFECTIVE OVERNIGHT REFERENCE RATE IN EURO (THE "Eonia®")

The EU banking and financial associations as signatories of the present joint statement support the following method for the computation and publication of an effective overnight reference rate for the euro area.

The method has been agreed with the EMI which has informed the banking and financial associations that the ESCB will take up the computational aspects related to the reference rate.

The features of the effective overnight reference rate for the euro area are set out hereafter:

1. the reference rate will be referred to as the Eonia® (Euro OverNight Index Average);
2. the panel of declaring banks will be the same as for the Euribor®, so that only the most active banks located in the euro area will be represented in the panel and also that a geographical diversity of banks in the panel will be maintained;

3. the Eonia® will be computed as a weighted average of all (without exceptions) overnight unsecured lending transactions in the interbank market, initiated within the euro area by the declaring panel banks. It will be expressed with two (2) decimals;
4. all specified transactions initiated during the business day shall be reported by banks in the panel in aggregate, i.e. the sum of all lending transactions carried out before the closing of RTGS systems at 6.00 p.m.;
5. each panel bank shall on a daily basis and no later than 6.30 p.m. ECB time report the total volume of unsecured lending transactions that day and the average lending rate for these transactions to the relevant entity of the ESCB;
6. the amount of lending transactions shall be reported by panel banks as the rounded amount to the nearest €1,000,000, and the individual average rates shall be reported with two (2) decimals;
7. the ECB will aim at making the computed rate available for the publication body as soon as possible so that the Eonia® normally will be published at the latest at the opening of TARGET the following day;
8. rounding shall be carried out following established rounding rules in the market. For the average interest rate, the third decimal being 1 - 4 shall be rounded downwards and the third decimal being 5 - 9 shall be rounded upwards. For the total lending amount ending with €000 001 - 499 999, the amount shall be rounded downwards to the nearest multiple of €1 000 000 and for amounts ending with €500 000 - 999 999, it shall be rounded upwards to the nearest multiple of €1 000 000 and
9. the ESCB will undertake control measures to assess the quality of the Eonia® and may report to the Steering Committee on the performance of individual panels banks.

With respect to the type of transactions to be covered for the computation of Eonia® the signatories of the present joint agreement agree to cover only unsecured lending transactions. Repurchase transactions have also been considered to be included, as such transactions represent a significant part of the activity in overnight market.

However, as secured financing transactions based on repos may be difficult to distinguish from other transactions of similar structure but entered into for a different purpose, such as securities lending transactions, it was viewed preferable to exclude all such secured transactions from the computation at this stage, in order not to introduce a source of instability in the Eonia®.

In addition, it was concluded that the homogeneity with other interbank rates e.g. Euribor® rates, would best be achieved by basing the Eonia® on only unsecured lending transactions.



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Nevertheless, due to the growing importance of repos, experts from banking associations agreed that a collection of information on repurchase transactions for analytical and other purposes will be studied.