



Second Annual Review of the Efterm® Methodology: Enhancing Reliability and Market Responsiveness

To continuously improve the quality, robustness, and reliability of Efterm® while ensuring compliance with legal obligations, the European Money Markets Institute (EMMI) has conducted the second annual review of the Efterm® methodology. This review aims to ensure that the benchmark accurately reflects the underlying economic reality it seeks to measure, remains responsive to market developments, and avoids introducing artificial volatility unrelated to genuine market events.

Key Objectives of the Efterm® Methodology Review:

1. **Market Representation:** Ensure the input data and methodology represent the underlying market dynamics accurately.
2. **Responsiveness:** Maintain responsiveness to events and developments in the market.
3. **Stability:** Prevent the methodology from introducing artificial volatility.

An overview of the Efterm® methodology can be consulted on EMMI's website [here](#)

The second Efterm methodology review proceeded as follows:

- **An impact assessment analysis was performed on the enhancements implemented in January 24**, following the first Efterm methodology review. The three enhancements can be consulted in the [previous announcement](#). The previous changes were deemed positive and no further changes are required.

The impact assessment analysis was performed by comparing Level 2 and Level 3 rates, which can be calculated independently as they have two different data sources:

The comparison focused on rate alignment and effectiveness following the first methodology review's enhancements.

The time lag between Level 3 and Level 2 rates has reduced further in both frequency and magnitude, achieving the intended outcomes:



The European Money Markets Institute

- It was assessed based on the suitability of the current Standard Market Size (SMS) levels for each tenor.
- The analysis was conducted from both qualitative and quantitative perspectives, examining the average quote size in each snapshot.
- The assessment concluded that the current Standard Market Size is appropriate.

Conclusion:

The second annual review reaffirms the effectiveness of the Eferm[®] methodology enhancements introduced in 2024 and the other parameters for the determination of Eferm rates. EMMI remains committed to ensuring the benchmark's robustness, reliability, and alignment with market realities, with possible further enhancements as additional data providers become available and the contingency assessment analysis is finalised.