

**Item 4.2: Final recommendations on  
the term rates based on ESTER and  
next steps for endorsement**

**Item 4.3: Next steps for Subgroup 2**

Dominique Le Masson (BNP Paribas)

Chair of the Subgroup 2

on the identification and recommendation  
of a term structure on RFRs

# Assessment of summary of responses

- Good number of responses
- Respondents supported the analysis done by the WG, and strongly agree with our approach:
  - 77% agreed with OIS quotes-based methodology as preferred forward-looking methodology

# Assessment of summary of responses: Need for forward-looking term rate

- Notable that forward-looking term rate considered “essential” for derivatives
- Applicability of FSB guidance in the euro area?
- Consistency is key for respondents
  - Across jurisdictions
  - Across products
- Next steps:
  - WG has essential role in analysis by asset class and across (euro area) jurisdictions
  - Address fallback triggers and spread methodologies
- For end-users: necessity to know interest rate in advance, operational and IT risks, accounting issues
- Need for education

# Assessment of summary of responses: OIS quotes-based and point-in-time fixing

- Key to work out clear road map and timeline for implementation
- Key words: point-in-time fixing/hedgeability, data sufficiency, volatility, manipulation risk
  - Already included in selection criteria
- How to foster implementation:
  - Choice of administrator (Who? How?) / infrastructure
  - Details on methodology: input from administrator

# Final recommendation for submission to WG vote

- The working group on euro risk-free rates recommends the OIS (tradable) quotes-based methodology as the ESTER-based forward-looking term structure methodology as a fallback to Euribor-linked contracts within a reasonable time period following the launch of the daily ESTER publication.
- It acknowledges that a successful transition from EONIA to ESTER is needed with (i) significant transfer of liquidity to ESTER OIS markets, (ii) a transparent and regulated underlying derivatives markets such as trading on multilateral trading facilities (MTFs), (iii) sufficient sources of data.

# Next steps on term rates

- Analyse and make recommendations for the most relevant Euribor fallback methodology by asset class
  - Analyse and make recommendations for how ESTER-based forward-looking and backward-looking term structures as potential fallback to EURIBOR can co-exist
- Clear road map and timeline for implementation of OIS quotes-based methodology
- Reach out to potential administrators
- Analyse fallback triggers and spread methodologies
- Cooperation with other fora