IBORs Transition

European Union perspective

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EONIA & EURIBOR

Fallback recommendations from the Euro Risk Free Rates Working Group

EONIA & EURIBOR – Fallback recommendations

EONIA:

- Discontinuation date 3 January 2021;
- Fallback recommendation: €STR + 8,5 basis point.

EURIBOR:

- NOT expected to be discontinued;
- Recommendations on trigger events and fallback rates issued on 11 May 2021;
- Trigger events (Annex I): misalignment with ISDA in connection with the pre-cessation event.
- Fallback rates (Annex II): Term €STR. Depending on the particular product it can be:
 - Backward looking methodology €STR compounded already being published by the ECB.
 - Forward looking methodology No administrator has been recommended yet.

EU STATUTORY FALLBACK

Amendment to the European Benchmark Regulation (BMR)

EU STATUTORY FALLBACK

AMENDMENT TO THE BMR – APPLICABLE SINCE 13 FEBRUARY 2021		
Mechanism	The European Commission (EC) may designate replacement benchmark(s) for affected benchmarks	
IBORs	All benchmarks with impact in EU financial stability may be subject. Final decission is on the EC.	
Trigger events	 The benchmark is no longer representative of the underlying interest. Statements made by regulator or the administrator announcing that benchmark has ceased or will cease to be provided. Suspension or withdrawal of the authorization + announcement of the wind-down of the benchmark. 	
Scope - Law	 Contracts subject to a EU law. Contracts between parties stablished in the EU, where the third country law applicable to the contract does not provide for the orderly wind-down of a benchmark. 	
Scope - Contracts	 Contracts with no fallback provisions or no suitable fallback provisions. What does suitable means? No permanent; Its application requires consent and has been denied; Provides a replacement benchmark which no longer reflects or significantly diverges from the underlying market that the benchmark in cessation is intended to measure and its application could have an adverse impact on financial stability (i.e: Fixing last rate or no adjustment spread) 	

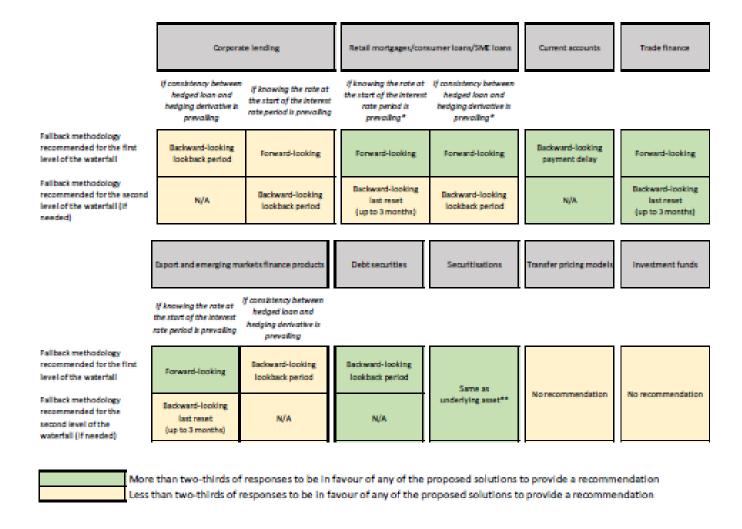
ANNEXES

ANNEX I - EURIBOR fallback trigger events - Recommendations

#	Description of events	Final recommendation
1	A public statement or publication of information by or on behalf of the regulatory supervisor of the administrator of EURIBOR stating that the said administrator has ceased or will cease to provide EURIBOR permanently or indefinitely	✓
2	A public statement or publication of information by or on behalf of the administrator of EURIBOR stating that the said administrator has ceased or will cease to provide EURIBOR permanently or indefinitely	✓
3	A public statement by the supervisor of the EURIBOR administrator that, in its view, EURIBOR is no longer representative, or will no longer be representative	\checkmark
4	The administrator of EURIBOR determines that EURIBOR should be calculated in accordance with its reduced submissions or other contingency or fallback policies	X
5	It has become, for any reason, unlawful under any applicable law and regulation for relevant parties to the agreement to use EURIBOR	TBD
6	EURIBOR is permanently no longer published without a previous official announcement by the competent authority or the administrator	TBD
7	Change of EURIBOR methodology	X

- ✓ Trigger event recommended by the WG
- X Trigger event not recommended
- TBD Parties should discuss its potential inclusion, which may depend on the specific product

ANNEX II - EURIBOR fallback rates & structure methodologies - Recommendations



^{*} For retail mortgages and consumer/SME loans, these comments specifically refer to the second level of the waterfall (if needed)

^{**} For securitisations, market participants could also consider consistency with other debt securities

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