



Issue N°10

Newsletter

December 2024



The European
Money Markets
Institute

Celebrating milestones and advancing confidence in Europe's Money Markets



Dear readers,

As we near the end of a year in which we celebrated our 10th anniversary and Euribor its 25th, I am proud to reflect on the accomplishments of the European Money Markets Institute (EMMI) and the positive impact we have made on Europe's financial landscape.

Our core mission is to further foster confidence and stability in the money markets across Europe, and this year, in spite of a challenging economic backdrop, we made considerable progress towards that goal. I would like to take a moment to highlight some of our most notable achievements:

1. Completion of updated Euribor® Methodology phase-in period

This year, we have successfully completed several rounds of methodological reviews for Euribor. The outcome of this process is a benchmark that eases the burden on existing Euribor Panel banks, while at the same time making it easier for new banks to join the panel.

2. OP and NBG join the Panel

Speaking of new banks, the Euribor Panel saw two new additions this year: Finland's OP Bank and the National Bank of Greece. This expansion is a significant step towards further diversifying the panel, which strengthens the representativeness of the benchmark throughout the Eurozone. We look forward to working with these two institutions.

Three other main achievements worth highlighting are our Short-term European Paper label (STEP), Eferm, our forward-looking €STR-based term benchmark, and finally our ESG Commercial Paper

Transparency Monitor.

The STEP initiative, promoted by EMMI and ACI FMA, aims to foster the integration and development of European markets for short-term paper.

STEP establishes common practices and standards for the documentation of short-term paper programmes, enhancing market depth and liquidity through standardisation and transparency. The idea for the STEP initiative originated within the European Central Bank's Money Market Contact Group and received active support from the European System of Central Banks (ESCB) and the European Central Bank (ECB). Short term securities markets have recently been in the radar of the Financial Stability Board (FSB) and the European Commission. In this context, we firmly believe that STEP offers all the transparency and harmonisation features, as evidenced by the number and diversity of the STEP labeled programmes.

Eferm is our forward-looking €STR-based term benchmark calculated for five maturities, known as "tenors": one week, and one, three, six and twelve months. Eferm has been designed to serve as a fallback rate in line with the Euro Risk Free Rate Working Group's recommendation and has been available since the end of 2022.

And last but not least, this past June EMMI launched the ESG CP Transparency Monitor, designed for issuers of ESG commercial paper, who want to increase their visibility, reach a wide investor base and show their commitment to transparency in the short-term market. The monitor is a neutral platform on which issuers can display key ESG features of their CP programmes in a standardized and concise way, and can be consulted free of charge by an interested market party.

Looking Ahead

As we prepare for the year ahead, EMMI remains committed to its core values of reliability, transparency, and innovation. We are determined to stay agile and responsive to the dynamic needs of the market, and we will continue our work to enhance the resilience and stability of Europe's financial ecosystem.

Thank you for your continued support and I hope you enjoy our last newsletter of 2024. Wishing you all a happy holidays, and see you in 2025.

Jean-Louis Schirmann
CEO, European Money Markets Institute



EMMI completes phase-in period of Euribor's® enhanced methodology

The successful completion of the phase-in period for the enhanced Euribor® methodology, in October, was one 2024's crowning achievements for EMMI. Years in the making, this enhancement introduces a standardised approach designed to reduce the workload on Panel Banks contributing to Euribor®, while aiming to attract additional participants to the panel.

Key Features of the Enhanced Euribor® Methodology

With the phase-in period complete, an enhanced governance framework applies, accompanied by refined procedural guidelines. Below are the core features of the improved methodology:

1. Refined Level 2.3 Calculations

The enhanced methodology redefines Level 2.3, expanding its calculation foundation and refining the Market Adjustment Factor (MAF). These updates ensure that the benchmark better reflects fluctuations in interest rates and the evolving perceptions of credit risk.

2. Discontinuation of Level 3

With the restructured Level 2.3, Level 3 of the hybrid methodology is now obsolete. This discontinuation reduces both operational and cost burdens for the contributing Panel Banks, creating a more sustainable and attractive structure for prospective panel members.

Background

Starting in May 2024, EMMI collaborated closely with Panel Banks to gradually implement the enhanced hybrid methodology, ensuring a seamless shift for each participating institution. Banks were phased-in individually, allowing each institution ample time to adapt to the new requirements and easing the transition process.

In October, Jean-Louis Schirmann, EMMI's CEO, highlighted the anticipated benefits of the change: "With the enhanced methodology, Panel Banks no longer need to provide expert judgment in their Euribor® contributions. This change not only reduces their operational burden but also makes the panel more attractive to prospective banks. We hope to welcome more participants in the near future, expanding the panel to further enhance Euribor®'s robustness."

As of today, 20 credit institutions are actively contributing to Euribor® calculations, with the National Bank of Greece (NBG) set to officially join in the first weeks of 2025. Finland's OP bank has been contributing since November 18.

Panel Banks, market participants, and interested institutions can access all official documentation on the enhanced Euribor® methodology on our website.

As we conclude 2024, we look forward to further collaborations and continuous improvements that reinforce transparency, efficiency, and trust within Europe's financial benchmarks.



This change not only reduces their operational burden but also makes the panel more attractive to prospective banks. ”





Euribor® Panel Welcomes New Members: Finland’s OP Corporate Bank and the National Bank of Greece

The European Money Markets Institute (EMMI) is delighted to highlight a key milestone from 2024: the expansion of the Euribor® panel to include Finland’s OP Corporate Bank and the National Bank of Greece.

A Step Forward in Panel Diversity

The inclusion of these two prominent institutions signals an important step in broadening the geographic and institutional diversity of the Euribor® panel. The addition is part of EMMI’s ongoing effort to ensure the Euribor® benchmark reflects the dynamics of the Eurozone’s financial markets.

Profiles of the New Panel Members

National Bank of Greece (NBG):

NBG, a leader in Greek banking, offers a wide range of financial services, focusing on retail and corporate banking. Its influence extends beyond Greece, with a strong presence in Northern Macedonia and Cyprus. Pavlos Mylonas, CEO of NBG, emphasized the significance of this achievement:

“Being chosen to join the Euribor® panel is tangible recognition of our governance standards and our transformation into a leading regional player.”

OP Corporate Bank:

As part of OP Financial Group—one of Finland’s largest financial entities—OP Corporate Bank is central to providing comprehensive financial services to retail and corporate customers nationwide. Mikko Timonen, Chief Financial Officer of OP Financial Group, highlighted the importance of this milestone:

“Since the Euribor® Panel currently has no Nordic representation, OP Financial Group’s inclusion diversifies the panel and strengthens Euribor®’s position in the European financial market.”

Reinforcing the Euribor® Benchmark

The addition of these institutions demonstrates the success of EMMI’s rigorous selection process, ensuring that panel banks meet the highest standards of market activity, governance, and operational capability. Jean-Louis Schirmann, CEO of EMMI, noted:

“The enlargement of the panel is a significant step toward maintaining Euribor®’s long-term sustainability. This expansion reflects trust in the benchmark and supports its robustness, as welcomed by the European Securities and Markets Authority (ESMA).”

EMMI remains committed to fostering innovation, collaboration, and excellence in European money markets. With these new additions, we move confidently toward a future of continued resilience and reliability for Euribor®.

“This expansion reflects trust in the benchmark and supports its robustness, as welcomed by the European Securities and Markets Authority (ESMA).”



25 Years of Euribor® and 10 Years of EMMI

In 2024, the European Money Markets Institute (EMMI) proudly commemorated two major anniversaries that reflect our ongoing dedication to the European financial landscape. This year marked 25 years of Euribor®, a cornerstone of the global financial system, and 10 years since the founding of EMMI.

25 Years of Euribor®: A Benchmark Built on Trust

Since its launch in 1999, Euribor® has served as a foundational benchmark for financial products across the world, from mortgages and loans to bonds and derivatives. Over the past 25 years, it has continually evolved to meet the demands of an ever-changing financial ecosystem, while maintaining its reputation for reliability and transparency.

As EMMI Board Chair Satu Huber observed: “Euribor’s 25th anniversary and EMMI’s 10th anniversary are not just milestones for us but for the entire European financial community. We are proud of the trust Euribor® has represented over the years and remain committed to upholding these values as we move forward.”

Euribor®’s success is a testament to its adaptability and its role in fostering financial stability for consumers, businesses, and investors, both within Europe and globally.

Beyond Euribor®: Expanding Our Impact

While Euribor® remains central to EMMI’s work, we are equally proud of other key initiatives that have reinforced our contribution to the financial markets.

STEP (Short-Term European Paper): A joint initiative with ACI FMA, STEP sets common standards for the documentation of short-term paper programs, enhancing market transparency and liquidity. Supported by the European Central Bank (ECB) and the European System of Central Banks (ESCB), STEP continues to drive integration in Europe’s short-term markets. *(continues on to the next page)*





ESG CP Transparency Monitor: introduced in June 2024, this platform enables issuers of ESG commercial paper to showcase key ESG attributes of their programs. By fostering visibility and transparency in the short-term market, the Monitor underscores EMMI's commitment to sustainability.

10 Years of EMMI: A Decade of Excellence and Integrity

EMMI's transformation in 2014 from Euribor-EBF marked a pivotal moment in its history, with a renewed focus on governance, transparency, and oversight. Over the past decade, EMMI has been at the forefront of efforts to ensure the robustness and reliability of financial benchmarks in a rapidly evolving regulatory environment.

Jean-Louis Schirmann, CEO of EMMI, reflected on this journey:

"Our past decade has been defined by a commitment to enhancing the governance of financial benchmarks. As we celebrate these anniversaries, we look forward to continuing to work with our partners and stakeholders to meet the highest standards of transparency and integrity."

Looking Ahead: Building on a Strong Foundation

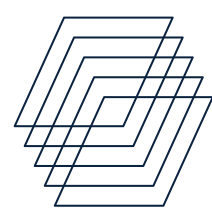
As we honour these milestones, EMMI remains firmly focused on its mission to serve the financial community and the broader economy. Guided by our principles of transparency, integrity, and excellence, we are dedicated to advancing financial stability and innovation for years to come.

Here's to celebrating our past achievements and embracing the challenges and opportunities that lie ahead in 2025 and beyond.

STEP (Short-Term European Paper): A joint initiative with ACI FMA, STEP sets common standards for the documentation of short-term paper programs, enhancing market transparency and liquidity. Supported by the European Central Bank (ECB) and the European System of Central Banks (ESCB), STEP continues to drive integration in Europe's short-term markets.

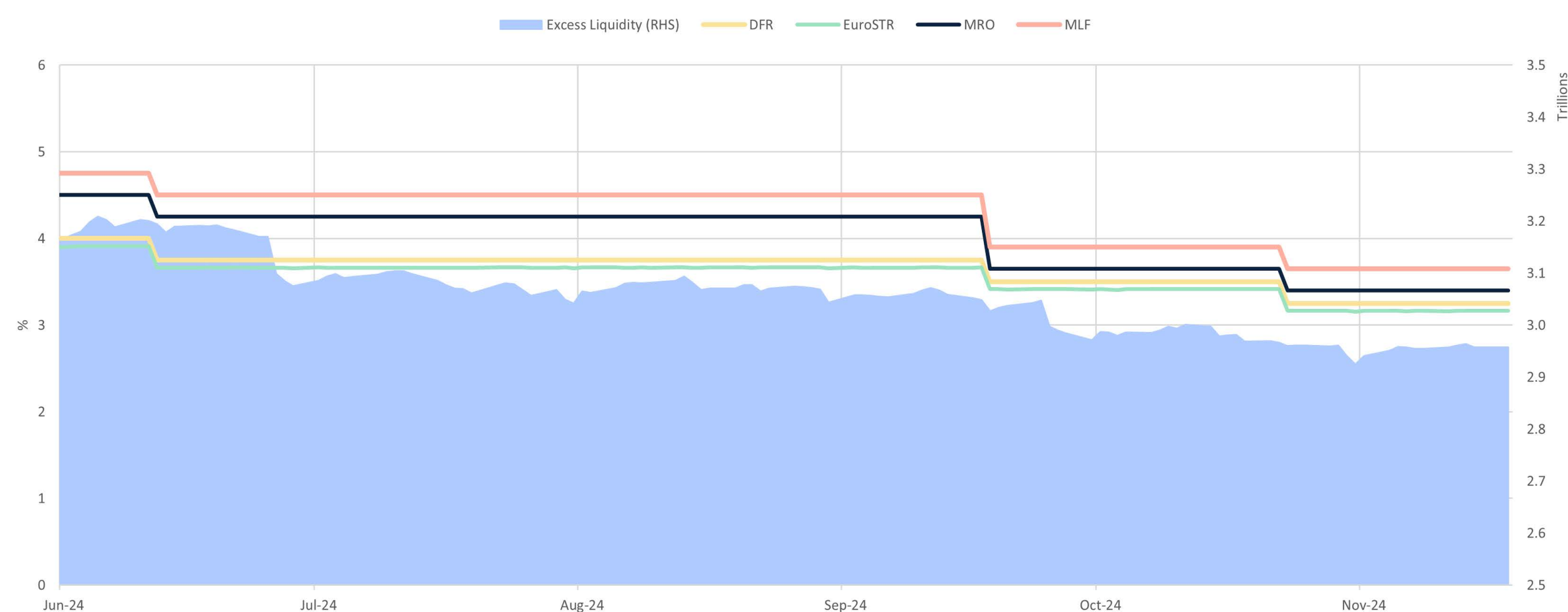
Efterm: Launched in late 2022, Efterm is a forward-looking €STR-based term benchmark designed to serve as a fallback rate across five maturities (one week, one, three, six, and twelve months). It aligns with the recommendations of the Euro Risk-Free Rate Working Group, supporting market resilience in the transition to risk-free rates

“As we celebrate these anniversaries, we look forward to continuing to work with our partners and stakeholders to meet the highest standards of transparency and integrity.”



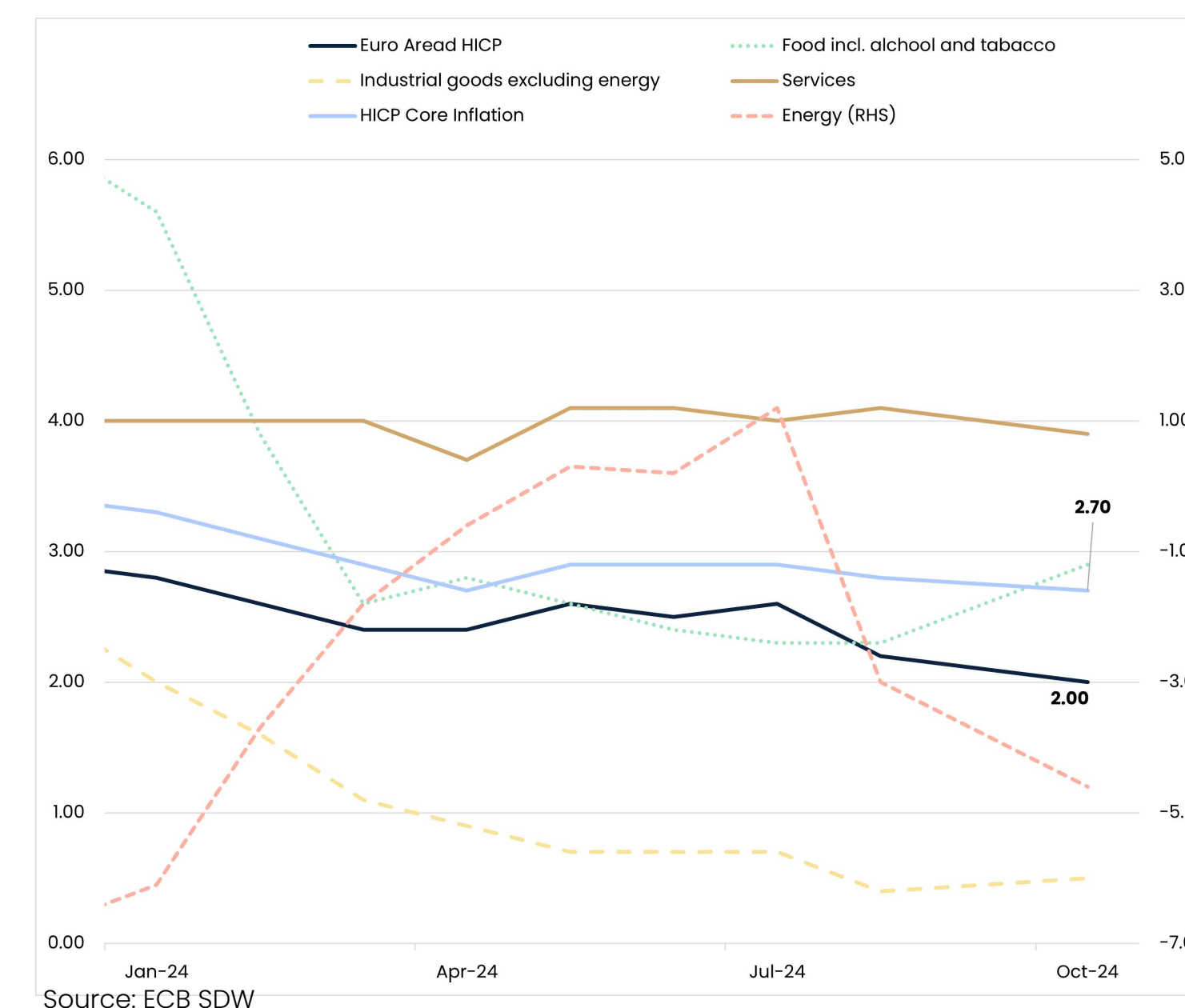
Echoes from the euro money markets

Eurozone rates and excess liquidity



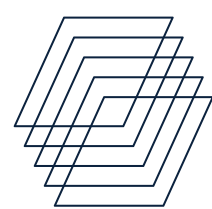
Source: Bloomberg

Inflation developments



Source: ECB SDW

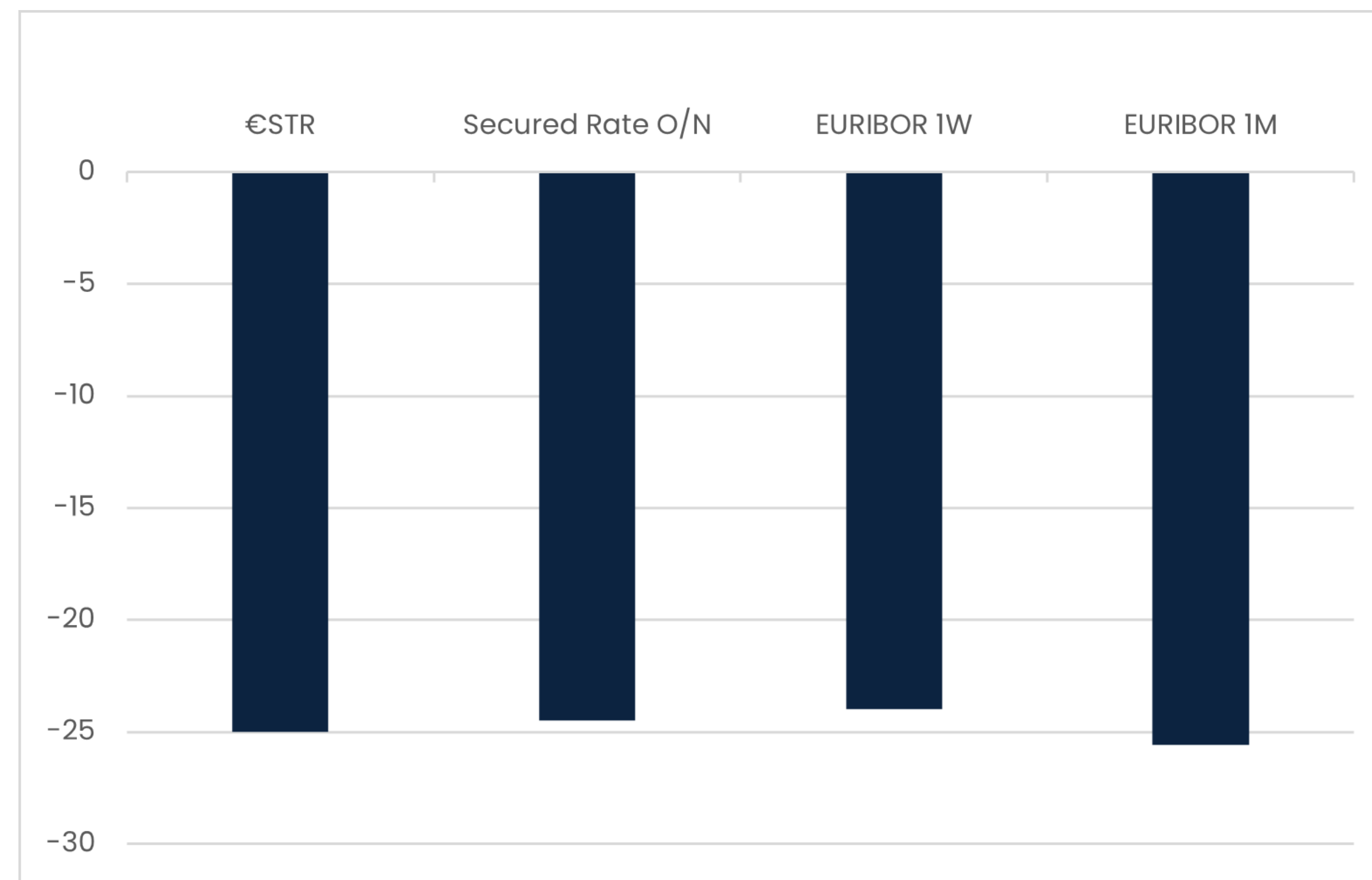
In September and October 2024, the European Central Bank (ECB) cut its key policy rates by a total of 50 basis points (bps), with the main refinancing rate at 3.40% and the deposit facility rate at 3.25%. This was a response to a disinflationary process, with headline inflation in the Eurozone decreasing from 2.2% in August, to 2% in October, and core inflation falling slightly to 2.7%. Despite these positive inflation trends, wage growth remains high, introducing sustained upward pressure on inflation. As of 18 November 2024, excess liquidity stands at EUR 2.93 trillion. The ECB's monetary policy normalization continues, with its balance sheet shrinking due to the cessation of reinvestments in its Asset Purchase Programme (APP) and only partial reinvestments of the Pandemic Emergency Purchase Programme (PEPP).



For the first months of 2024, money market rates remain steady for shorter-term tenors and have begun to decline for longer-term tenors. At the end of May however, money market rates at shorter-term tenors also started to decline reacting to a well anticipated June interest rate cut. The transmission of the ECB June interest rate cut into euro money market rates *pass through was almost perfect in October 2024 for the 1W Euribor, 1M Euribor, and the secured and unsecured overnight rates.



ECB policy rate changes pass through



Source: Bloomberg and EMMI's calculations

Note: Overnight pass through rates represents the difference between rates of the last day of the 1st MP and the first day of the 2nd MP. The same logic is applied for 1W and 1M rates



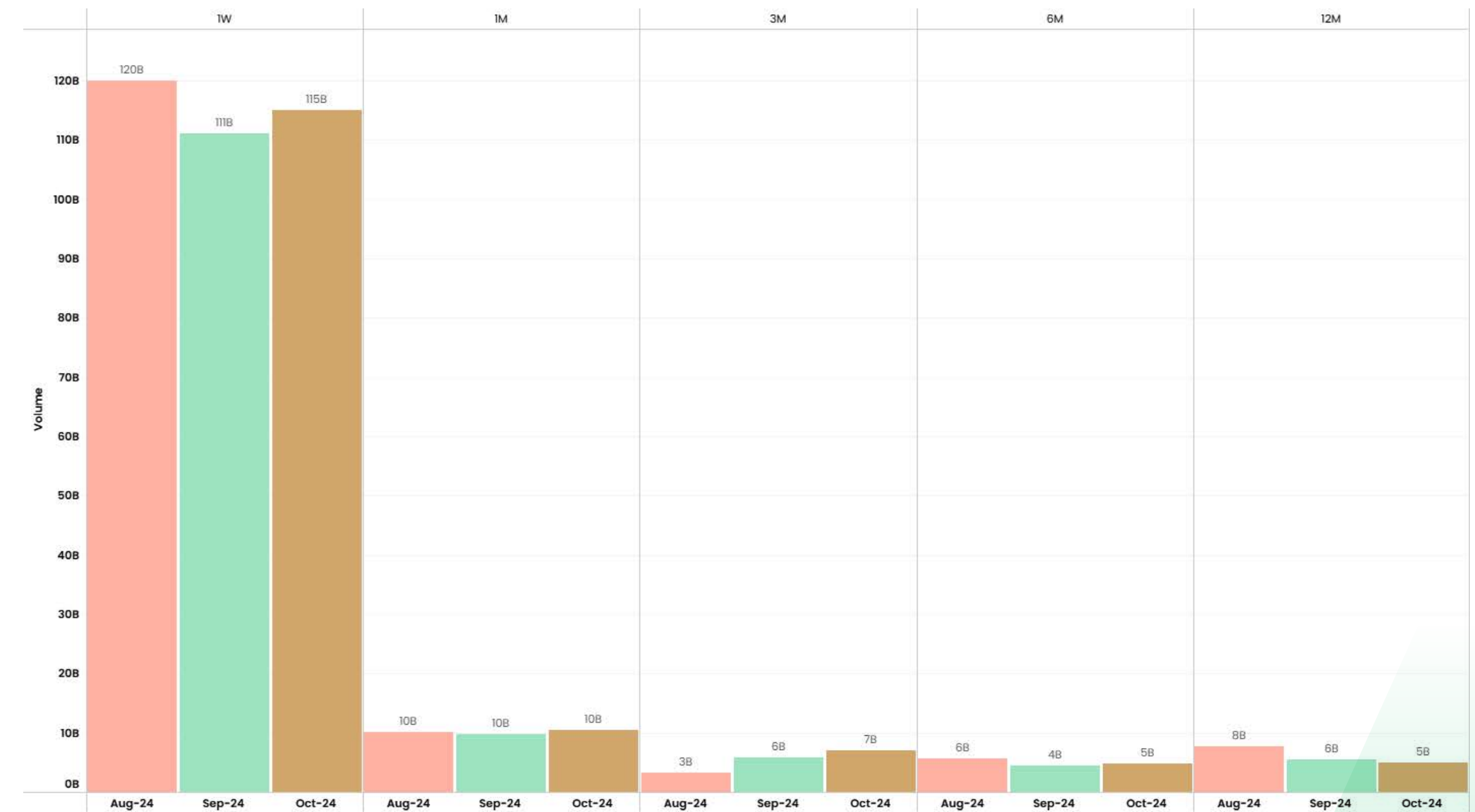
Euribor rates have exhibited a pronounced downtrend in response to the ECB's anticipated rate cuts, with longer-term Euribor tenors now reflecting market expectations for further easing. As of 18 November, 2024, the Euribor rates are recorded at 3.17%, 3.04%, 3.00%, 3.74%, and 2.43% for the 1W, 1M, 3M, 6M, and 12M respectively. In addition, Euribor aggregated volumes reached EUR 142 billion in October 2024, increasing by EUR 5 billion from previous month.

Euribor rates developments



Source: EMMI

Euribor underlying volumes



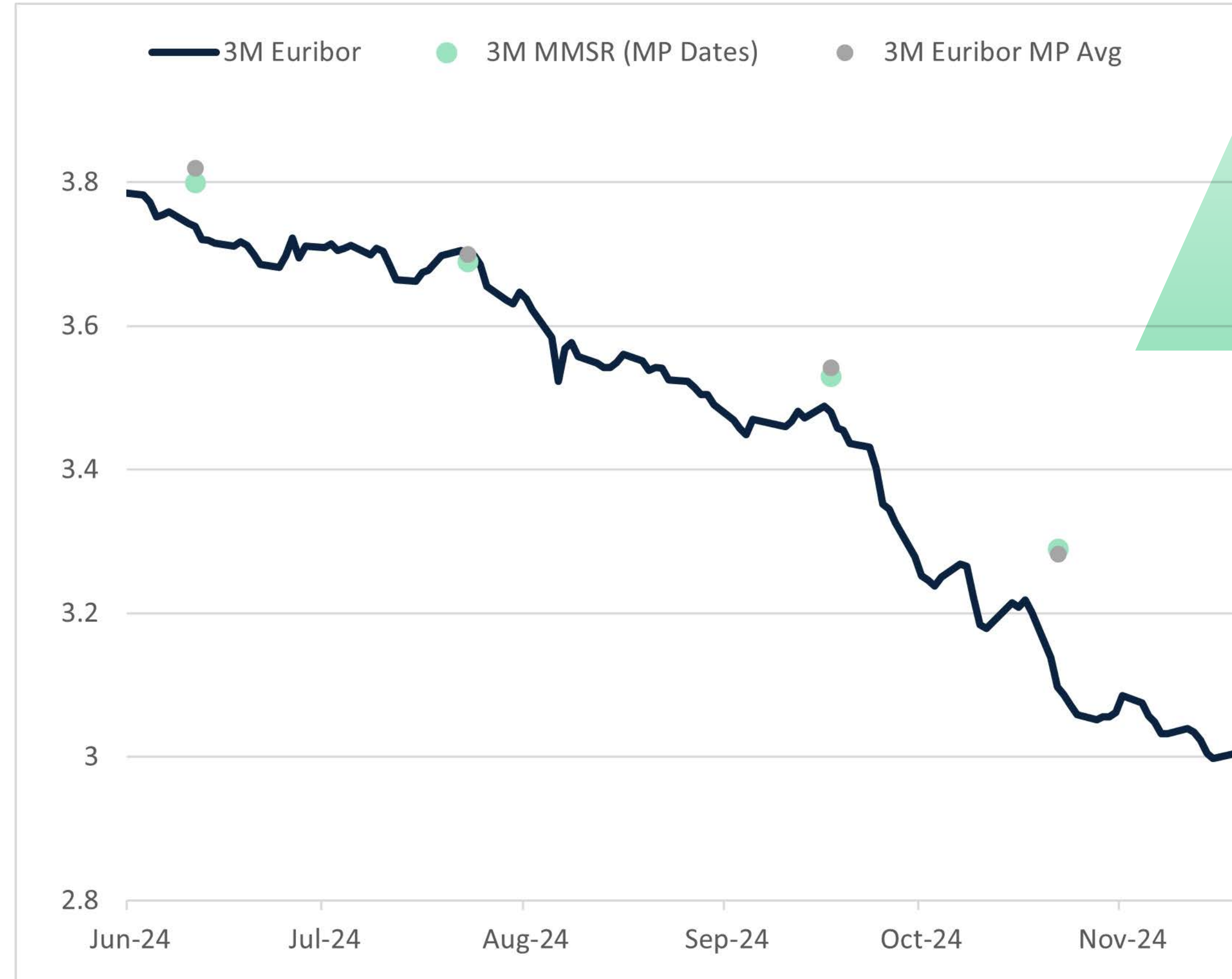
Source: EMMI



3M Euribor (average MP) and 3M MMSR (average MP) rates have been moving in tandem throughout the last four ECB Maintenance Period, following the same path observed during the hiking cycle and the period of rate stability.



Euribor and MMSR unsecured rates

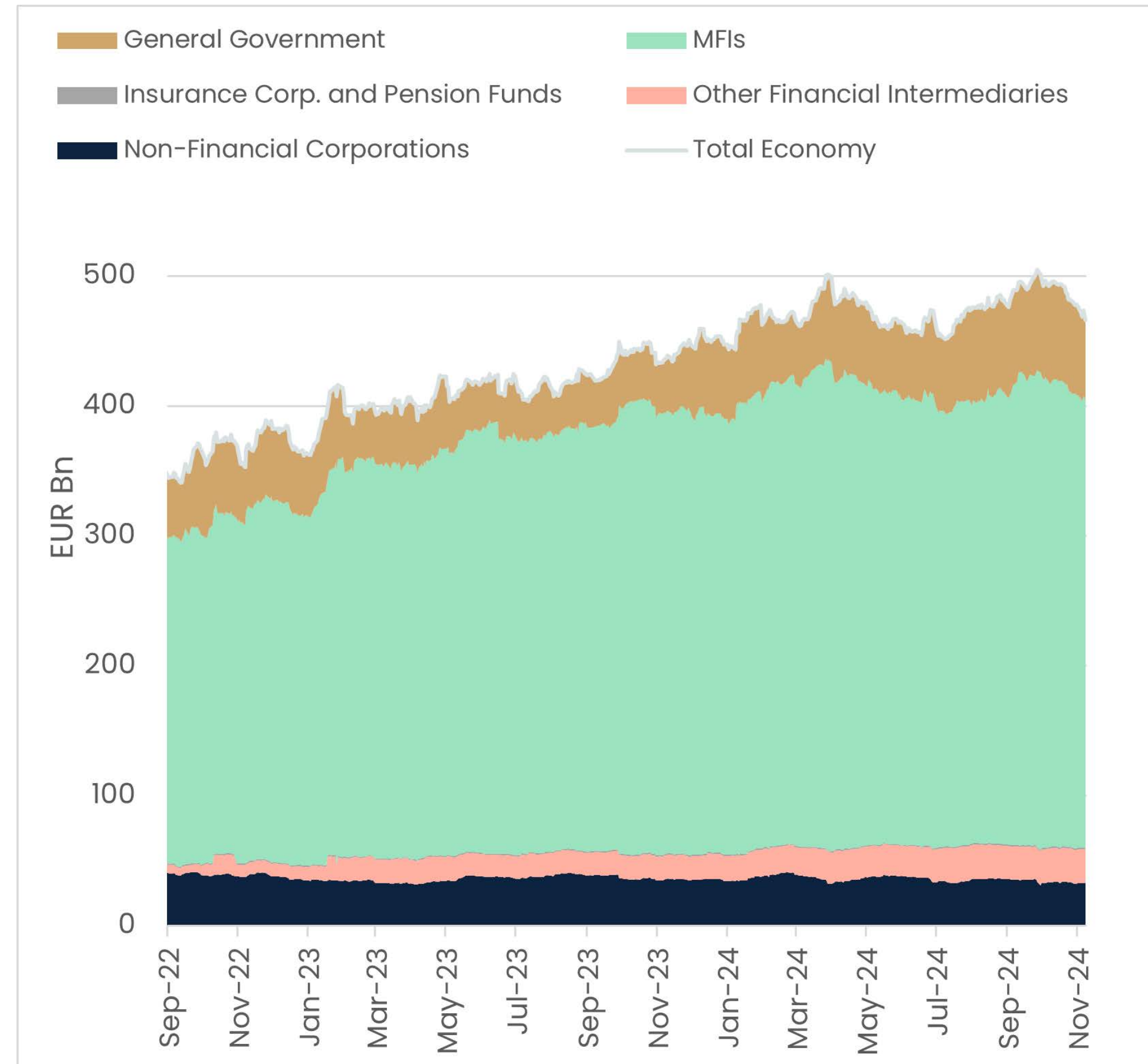


Source: EMMI, ECB SDW



On 8 November 2024, total STEP daily outstanding amount stood at EUR 466 billion and decreased from the pick of EUR 500 billion observed in the last week of September. Total STEP outstanding amounts mainly come from the MFIs sector which are stable at around EUR 350 billion. The general STEP uptrend has been persisting since the 1st ECB rate hike of July 2022.

STEP outstanding amounts

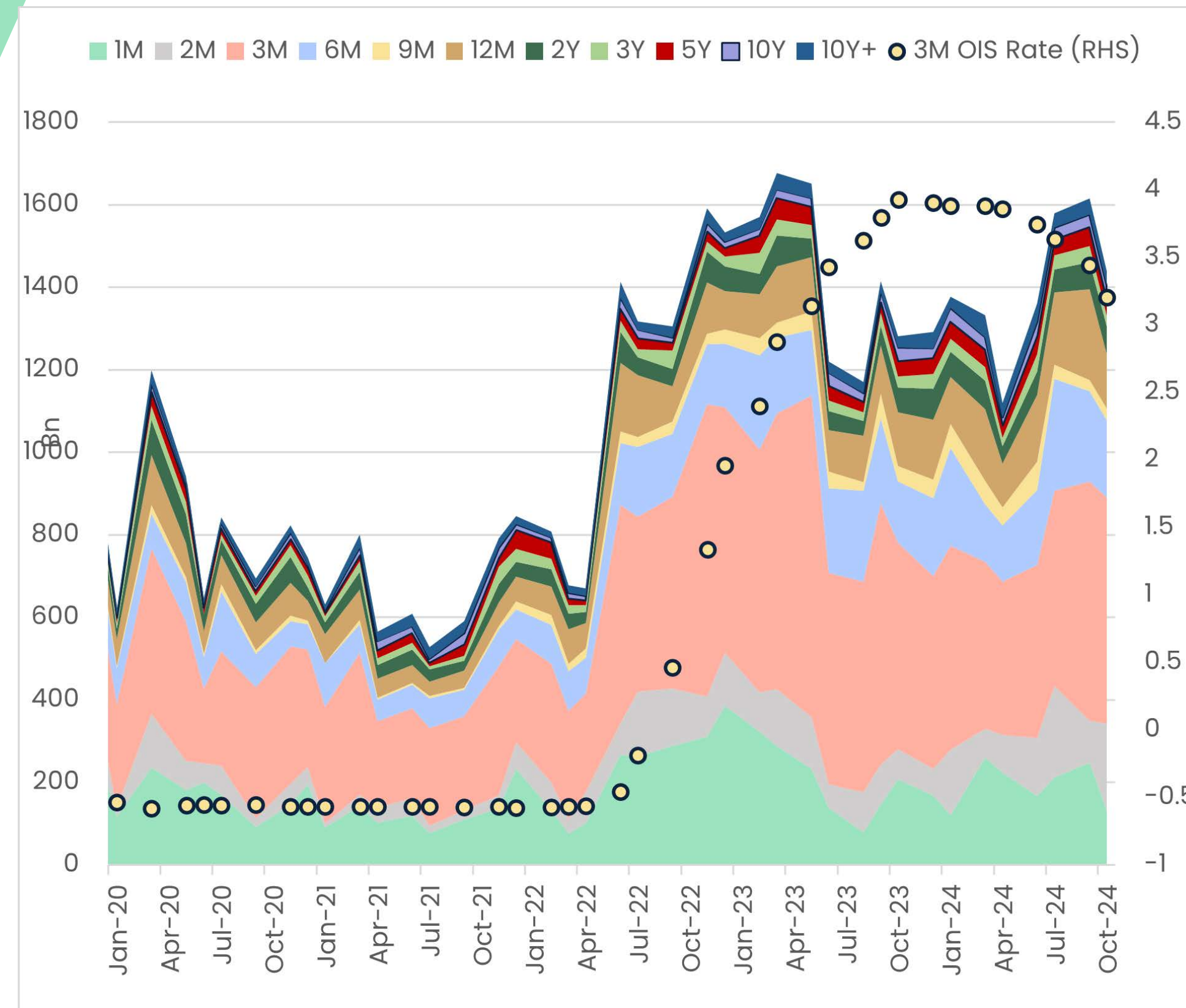


Source: EMMI's calculations



During the second half of 2022 and early 2023, Underlying volumes in the OIS segment peaked at EUR 1,600 billion. After the interest rate hiking cycle ended in September 2023, OIS volumes declined to around EUR 1,300 billion. Nevertheless, OIS underlying volumes picked up again in the second quarter of 2024, as market participants anticipated ECB rate cuts.

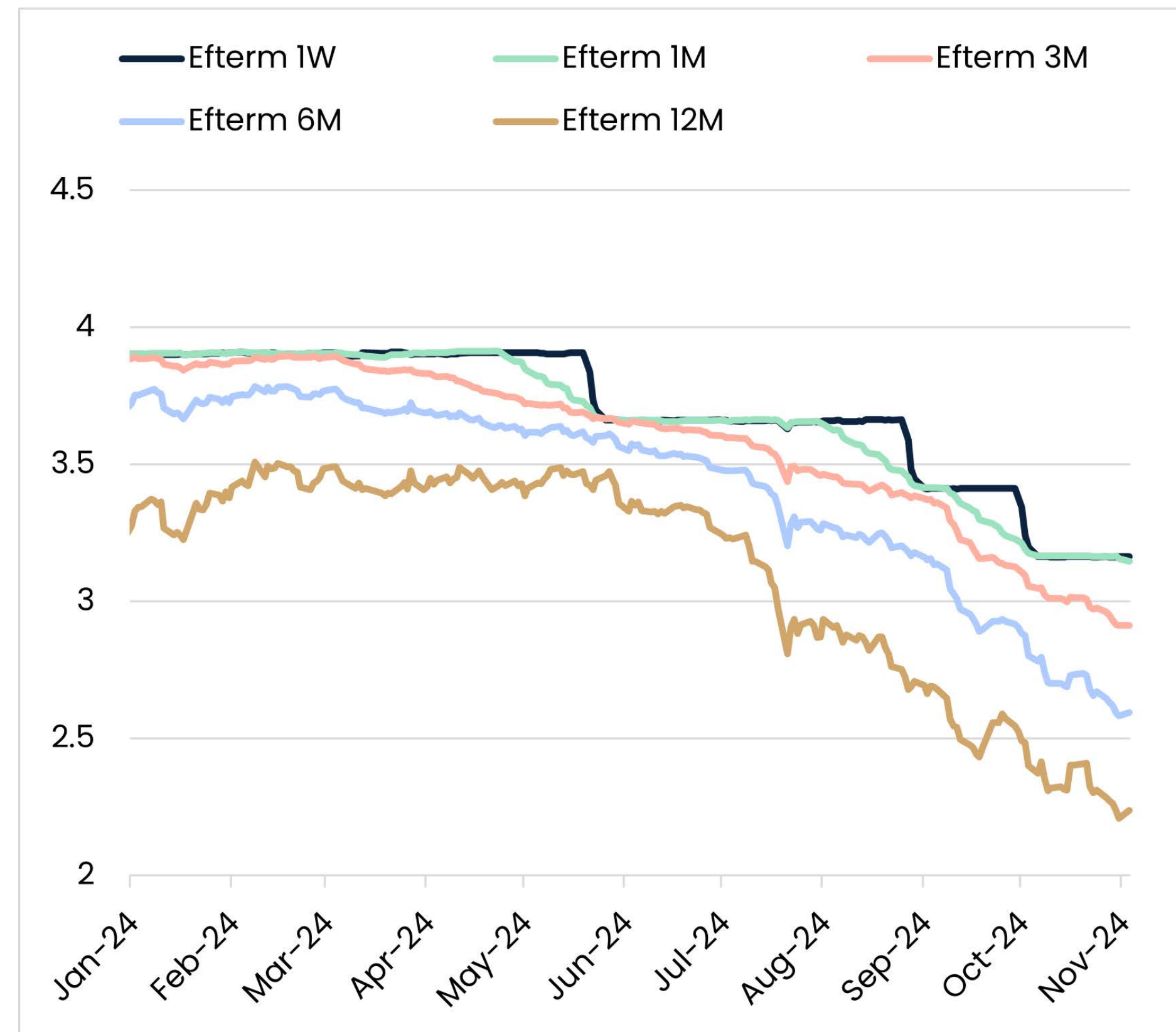
OIS underlying volumes



Source: EMMI's calculations

Money market €STR OIS rates peaked in 2024 following the ECB's aggressive rate hiking cycle. However, beginning in the second quarter of 2024, rates began to decline, initially at longer tenors and later at shorter tenors. Ultimately, the 1-week rates started to decrease in June with each ECB policy rate cut announced at successive monetary policy meetings. The Efterm is representative of the underlying market.

Efterm rates development



Source: EMMI's calculations

Any questions?

For any enquiry or question related to our activities, please do not hesitate to contact us:



info@emmi-benchmarks.eu



+32 2 431 52 00

Our web pages

Euribor - Efterm - Subscription - Fee Schedule 2023



The European
Money Markets
Institute