The European Money Markets Institute

EMMI Updates the control parameter of the Euribor Hybrid Methodology

The European Money Markets Institute (EMMI) has announced a refinement to the Euribor hybrid methodology, following the Euribor Annual Review. **The change will be effective as of Monday 17 of February 2025.**

The review aimed at confirming that the benchmark remains robust, resilient, and representative of its underlying market on one hand, and identifying any potential for further beneficial recalibrations on the other hand.

The analysis run by the European Money Markets Institute in 2024 suggests that one non-material adjustments would improve the Euribor Hybrid Methodology. Under the previous configuration, the "credit risk change component" was included in the Level 2.3 calculation for a specific TARGET date T and tenor only if at least one panel bank had submitted a transaction-based contribution (Level 1, 2.1, or 2.2) on the previous TARGET date. If no such transaction-based contribution was submitted, the credit risk change component was set to zero for the TARGET date T and tenor.

Enhanced control parameter for greater accuracy

To minimize the risk of distortions in Euribor fixing calculations in scenarios with limited data submissions, EMMI has refined this control parameter. The updated configuration ensures that:

1. The credit risk change component will be included in a panel bank's Level 2.3 calculation for TARGET date T and defined tenor only if, on the previous TARGET date, at least one panel bank transaction-based contribution (Level 1, 2.1, or 2.2) has not been trimmed out when calculating Euribor for that tenor and TARGET date T.

Why this matters

This adjustment underscores EMMI's commitment to ensuring the reliability and accuracy of Euribor. The revised methodology reflects EMMI's proactive approach to adapting the Euribor framework in response to market dynamics and stakeholder feedback.

For further details on the Euribor hybrid methodology and the public consultation process, visit EMMI's official website.