FSMA FINANCIAL SERVICES AND MARKETS AUTHORITY

esma European Securities and Markets Authority

JOINT PUBLIC STATEMENT FSMA-ESMA REGARDING EURIBOR

The Euribor is administered by the Brussels-based European Money Markets Institute (EMMI). In August 2016, the Euribor was declared a critical benchmark by the European Commission[1], in accordance with Article 20 of the Regulation (EU) 2016/1011 "*on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds*"[2] (Benchmarks Regulation).

Under the Benchmarks Regulation, a benchmark is critical when its failure would impact market integrity, financial stability, consumers, the real economy, or the financing of households and businesses in one or more Member States. Additional requirements apply to critical benchmarks in order to ensure the integrity and robustness of such benchmarks. Also, critical benchmarks are supervised by a college of national competent authorities and ESMA, chaired by the national competent authority of the benchmark administrator.

While the Benchmarks Regulation will be fully applicable as of January 1st 2018, its provisions regarding the supervision of a critical benchmark, including the power to impose mandatory administration of or mandatory contribution to a critical benchmark, are applicable as of June 30th 2016.

In September 2016, the FSMA, as the national competent authority for Belgium, established the Euribor college and chaired its inaugural meeting. The college includes ESMA, the national competent authorities of the various banks contributing to the Euribor, as well as the national competent authorities of Member States for which the Euribor presents a systemic character because of its importance for their real economy, for the financing of households and enterprises, or for consumers in general. The Euribor college, chaired by the FSMA, currently consists of 17 national supervisory authorities and ESMA. The ECB has attended its meetings as an invited expert.

In 2015, EMMI developed a methodology that would ground the Euribor entirely on transactions ("Euribor+") and has subsequently carried out a "pre-live verification" exercise, based on data gathered from 31 banks over a period running from September 2016 to February 2017. On May 4th 2017, after consultation with the FSMA and as a result of its pre-live verification exercise, EMMI published its decision not to pursue a transition to the proposed Euribor+ methodology in the short term.

The college of Euribor takes note of this decision and will continue to engage with EMMI on alternative plans for Euribor reform and transition.

1 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016R1368

2 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016R1011

The Euribor is a vital element of the European financial system as it is used not only in an extraordinarily large number of financial instruments, but also in very common financial contracts, such as mortgages, as well as to measure the performance of many investment funds across Europe.

For this reason, the correct and continuous provision of Euribor is essential for the proper functioning of the European financial system and it is considered the top priority by the Euribor college.

Ensuring the stability of the financial markets implies that banks continue supporting the Euribor. Furthermore, it is important that the private sector pursues initiatives aimed at designing its own robust and reliable alternative reference rates. As market participants, starting with banks, are the main users of interest rate benchmarks, they should be primarily responsible for the production of these benchmarks: market participants have the expertise and are best placed to judge the features that the benchmarks should have to best suit their needs.

The FSMA, ESMA, and the other members of the Euribor college, in concert with other public authorities, will continue to closely monitor the state of Euribor and stand ready to use the tools at their disposal to ensure the continuity of the Euribor throughout the reform process, with the objective of minimising the impacts of the transition, with a particular focus on the protection of consumers and investors throughout the Union as well as the protection of the stability of financial markets.

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