

MARKET CONSULTATION ON THE REPLACEMENT RATES FOR EONIA AND LIBOR IN SOLACTIVE ADMINISTERED INDICES

23 June 2021



Content of the Market Consultation

1. Background

The London Inter-Bank Offered Rate (**LIBOR**) is a series of interest rate benchmarks representing the level at which major global banks lend to one another in the interbank market. LIBOR is administered by ICE Benchmark Administration Limited (**IBA**) and regulated by the UK's Financial Conduct Authority (**FCA**). It is available in five currencies: the US Dollar, the Euro, the British Pound, the Japanese Yen, and the Swiss Franc.

The Euro Overnight Index Average (**EONIA**) is the rate at which banks of sound financial standing in the European Union (EU) and European Free Trade Area (**EFTA**) countries lend funds in the interbank money market in Euro. EONIA is administered by the European Money Markets Institute (**EMMI**). EONIA is determined based on the euro short term rate (**€STR**), the euro unsecured overnight interest rate administered and published by the European Central Bank, and an additional spread of 8.5 basis points.

The FCA announced¹ that LIBOR settings will either cease to be provided by any administrator or no longer be representative after the following dates:

- **31 December 2021**: All tenors of GBP LIBOR, CHF LIBOR, JPY LIBOR and EUR LIBOR, as well as the 1-week and 2-month USD LIBOR tenors;
- **30 June 2023**: All remaining USD LIBOR settings.

EMMI announced that it will discontinue publication of the EONIA rate on the 3 January 2022.

Solactive may be using one or several of these LIBOR rates and the EONIA rate, on an overnight or term basis for the indices that it administers. For a full list of Solactive administered indices impacted by this consultation please contact RFR.Replacement@Solactive.com.

This consultation seeks to solicit comment on Solactive's proposed replacements for the discontinued rates.

¹ <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>



2. Proposed replacement rates – overnight rates

	LIBOR (Overnight)					EONIA
	USD	EURO	GBP	JPY	CHF	
Replacement Risk Free Rate	SOFR (Secured Overnight Financing Rate)	€STR (Euro Short Term Rate)	SONIA (Sterling Overnight Index Average)	TONA (Tokyo Overnight Average Rate)	SARON (Swiss Average Rate Overnight)	€STR (Euro Short Term Rate)
Administrator	FED Reserve Bank of New York	European Central Bank	The Bank of England	The Bank of Japan	SIX Swiss Exchange	European Central Bank

3. Proposed replacement rates – term rates

With the exception of the existing EURIBOR term rates, there is currently no consensus nor liquidity as to replacement term rates for LIBOR rates.

As a result, Solactive proposes to replace the forward-looking term rates with overnight rates.

	LIBOR (Term Rates)				
	USD	EURO	GBP	JPY	CHF
Replacement Risk Free Rate	SOFR (Secured Overnight Financing Rate)	€STR (Euro Short Term Rate)	SONIA (Sterling Overnight Index Average)	TONA (Tokyo Overnight Average Rate)	SARON (Swiss Average Rate Overnight)
Administrator	FED Reserve Bank of New York	European Central Bank	The Bank of England	The Bank of Japan	SIX Swiss Exchange



4. Implementation phasing

Solactive proposes to phase out these indices in two waves:

- From the earliest rebalance date after 30 September 2021 for rates discontinued on 31 Dec 2021;
- From the earliest rebalance date after 30 June 2022 for rates discontinued on 30 June 2023.

5. Questions for consulted parties

- a) Do you agree with the proposed replacement rates?
- b) Solactive does not intend to adjust €STR for the EONIA spread of 8.5 basis points on the view that the €STR rate is a more accurate representation of the accessible market. Do you agree with this treatment?
- c) Do you agree with the phasing of the replacements?

Feedback on the Market Consultation

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	



Solactive is inviting all stakeholders and interested third parties to evaluate the proposed replacement rates for EONIA and LIBOR in Solactive administered indices and welcomes any feedback on the questions above.

Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond by 15 July.

Please send your feedback via email to RFR.Replacement@solactive.com, specifying “Market Consultation on the replacement rates for EONIA and LIBOR in Solactive administered indices” as the subject of the email, or

via postal mail to: **Solactive AG**
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Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.

CONTACT

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