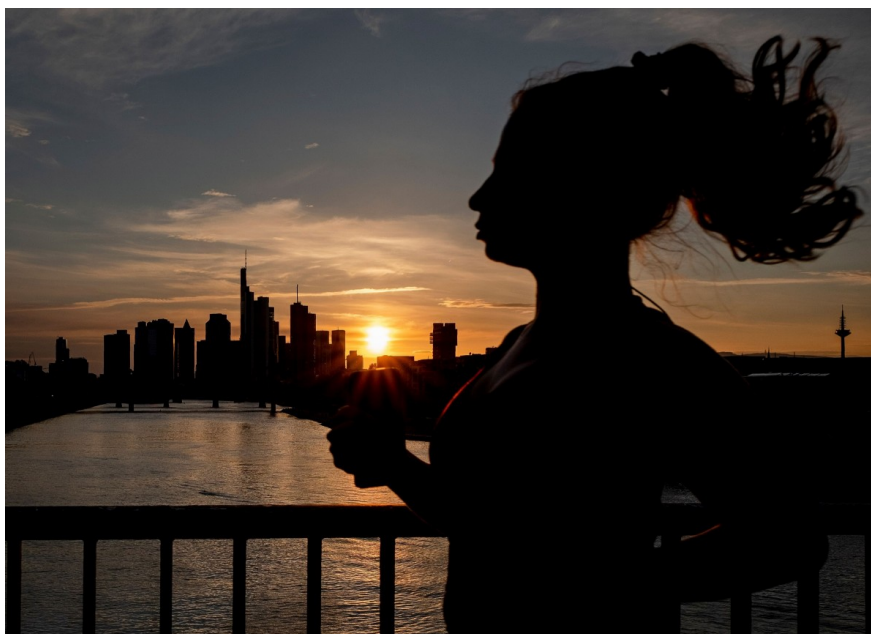


Euribor and a global IBOR overview

Euribor will continue, but the quest to find appropriate fallbacks for cash products is still underway. There is a desire for forward-looking euro short-term-rates as a fallback for some products, but that hinges on the development of the OIS market. We also provide a broader overview of benchmark reform developments beyond the major Ibors



Frankfurt's skyline

Euribor stays, but work on required fallbacks continues

The Euribor has been fully reformed to comply with the regulatory requirements of a critical benchmark. There are no plans to discontinue Euribor. However, that does not imply all work is done in the Eurozone. One remaining issue is that even if a benchmark continues to exist, the regulation still requires that contracts and instruments referencing a benchmark need to incorporate fallback provisions.

Regulation still requires that contracts and instruments referencing a benchmark need to incorporate fallback provisions

This week the working group released the responses to the public consultation on a) [the events that would trigger the fallback](#), and b) the [€STR based fall back rates to be used in cash products](#). It was acknowledged that the ISDA IBOR Fallbacks Supplement to the 2006 ISDA Definitions and the IBOR Fallbacks Protocol covers the derivatives.

While a backwards-looking compound €STR will be the ultimate backstop in all cases, for some asset classes there is still a desire to have a forward-looking term €STR as a first fallback instance within a waterfall structure, such as for retail mortgages, consumer and SME loans or trade and export financing products.

Being able to meet the desire for a forward-looking term benchmark hinges on the further development of the €STR OIS market. For all practical purposes, EONIA OIS and €STR OIS already represent the same underlying market given the linear link between the two fixings ($EONIA = \text{€STR} + 8.5\text{bp}$). Still, the final transition to €STR has yet to occur. Once also the €STR-linked EONIA is discontinued at the start of 2022 the expectation is that market activity will fully consolidate in the €STR based OIS.

Being able to meet the desire for a forward looking term benchmark hinges on the further development of the €STR OIS market

However, some question marks remain surrounding whether the required level of robustness for a forward-looking term €STR benchmark can be achieved. As has been stressed at the working group meetings, it remained to be seen whether the current liquidity of the OIS market (EONIA and €STR) was sufficient for the calculation of a term rate and whether a methodology based on committed OIS quotes would perform well in periods of market stress.

ECB representatives also expressed concern regarding the high level of concentration observed in the OIS markets. Concentration makes a benchmark more susceptible to the behaviour of individual agents.

A [study](#) from 2019 showed strong concentration in terms of counterparties as well as countries out of which participating banks operate. Based on the ECB's money market statistical reporting data set covering 2018, France accounted for 62% of all reported volumes, followed by Germany with 20%. In terms of counterparty concentration data showed that the ten most active banks represented more than 75% of market turnover.

[Euro money market study 2018](#)

Overview of the global benchmark landscape

We have covered the major USD and GBP Libors impacted directly by the FCA regulation in previous sections.

Among the other majors, **Japan's** JPY Libor will also require a transition as it is also anticipated to be discontinued by the end of this year. For some cash instruments such as loans, the

domestically used TIBOR benchmark could still find use as a fallback in a waterfall structure ahead of the designated uncollateralised TONA RFR. This multiple-rate approach differs from **Switzerland** which has taken the hard line of discontinuing CHF Libor and requiring a full transition to the secured SARON RFR.

In the **Eurozone**, EUR Libor will come to an end, but it is only a niche benchmark. The main Euribor benchmark will still be around.

Currency	IBOR rate	RFR/ARR	Administrator	Type	Remarks
USD	USD LIBOR	SOFR	NY Fed	secured	Transition necessary
GBP	GBP LIBOR	SONIA	Bank of England	unsecured	Transition necessary
EUR	EUR LIBOR	€STR (EUR Short Term Rate)	ECB	unsecured	Transition necessary
EUR	Euribor	€STR (EUR Short Term Rate)	ECB	unsecured	Multiple-rate approach
JPY	JPY LIBOR	TONA	Bank of Japan	unsecured	Transition is necessary
JPY	TIBOR	TONA	Bank of Japan	unsecured	Multiple-rate approach possible
JPY	Euroyen TIBOR	TONA	Bank of Japan	unsecured	Future consolidation with TIBOR anticipated
CHF	CHF LIBOR	SARON (Swiss Average Rate Overnight)	SIX Swiss Exchange	secured	Transition necessary

Source: Benchmark administrators, ING

In the following sections we provide an overview of the benchmark landscape beyond the majors.

Overview of Ibors in the Americas

In the Americas outside the US, **Canada** has chosen a multiple-rate approach letting a reformed CDOR exist next to the collateralised CORRA RFR, although the ambition is to have the latter dominate. Note that the 6-month and 12-month CDOR tenors will be discontinued this May.

Mexico also plans to follow a multiple-rate approach by retaining a strengthened interbank TIIE rate and replacing the shortest tenor with the new collateralised Overnight TIIE RFR. **Brazil** has started a review of the collateralised Selic to ensure its IOSCO compliance. It is already a default fallback of the DI rate which serves as underlying for futures contracts. Based on the latter Term DIs are considered, but also backwards-looking term RFR are being explored.

Currency	IBOR rate	RFR/ARR	Administrator	Type	Remarks
CAD	CDOR	CORRA (Can. O/N Repo Rate Average)	Bank of Canada	secured	Multiple-rate approach
BRL	DI rate	Selic	Central Bank of Brazil	secured	Multiple-rate approach
MXN	TIIE	O/N TIIE (Interbank Equilibrium Interest Rate)	Banco de México	secured	Multiple-rate approach

Source: Benchmark administrators, FSB, ING

Overview of Scandinavian Ibors

Scandinavia has or at least plans to follow a multiple-rate approach by keeping the known Ibors.

Norway's NIBOR was reformed in 2019 and fallback solutions using Nowa RFR are being worked on. **Denmark's** CIBOR was strengthened in 2019 and Denmark's Nationalbank is working on DESTRA as an unsecured RFR set to be launched at the beginning of 2022 with aims to transition from the current 'Tom/Next' short-term reference rate.

After a review of its STIBOR, **Sweden** is anticipating a seamless transition to an adjusted STIBOR benchmark after consultations this year. The Riksbank has launched a six-month testing phase for SWESTR last month, the future designated unsecured RFR that will replace the shortest STIBOR tenor (t/n).

Currency	IBOR rate	RFR/ARR	Administrator	Type	Remarks
DKK	CIBOR	DESTR (Denmark Short-Term Rate)	Danmarks Nationalbank	unsecured	Multiple-rate approach foreseen
NOK	NIBOR	NOWA (Nor. O/N Weighted Average)	Norges Bank	unsecured	Multiple-rate approach
SEK	STIBOR	SWESTR (Sw. Krona Short Term Rate)	Riksbank	unsecured	Multiple-rate approach foreseen

Source: Benchmark administrators, ING

Overview of EMEA Ibors

In central Europe, **Poland** has reformed its WIBOR and is considering using the existing WIBON as a fallback in the context of EU BMR. In many places, benchmark reforms have yet to kick off in earnest, although discontinuation of existing Ibors is also not foreseen. Alternative rates have not yet been designated but there are existing short term rates that could potentially be used.

In the wider region, **Israel** is seen sticking to TELBOR (based on quoted o/n rates) for now but is exploring ways to fully adapt to global benchmark standards. **Turkey** pursues to follow global timelines in discontinuing TRLIBOR and transitioning to the collateralised TLREF RFR which has already been widely adopted, including functioning derivatives markets.

South Africa eyes longer-term plans of discontinuing JIBAR. It has identified a set of RFR candidates in a first step but does not exclude the RFR could coexist alongside a new risk-based term rate.

Currency	IBOR rate	RFR/ARR	Administrator	Type	Remarks
CZK	PRIBOR	to be identified (existing CZEONIA)	-	-	No discontinuation foreseen
HUF	BUBOR	to be identified (existing HUFONIA)	-	-	No discontinuation foreseen
PLN	WIBOR	to be identified (existing WIBON)	-	-	No discontinuation foreseen
RUB	MosPrimeRate	RUONIA	Bank of Russia	unsecured	Multiple-rate approach
ILS	TELBOR	-	-	-	No discontinuation foreseen
TRY	TRLIBOR	TLREF	Borsa Istanbul	secured	Transition necessary
ZAR	JIBAR	to be identified: ZARONIA (reformed SABOR), ZASFR (Secured O/N Financing Rate), ZARIBOR (Interbank O/N Rate)	South African Reserve Bank	-	Future transition envisaged, the key overnight RFR may or may not co-exist alongside a risk-based term rate

Source: Benchmark administrators, ING

Overview of APAC Ibors

Developed markets are taking the lead in the APAC benchmark reform process.

Australia has domestically adopted a multiple-rate approach, keeping a reformed BBSW rate (the lbor) alongside the interbank overnight cash rate (AONIA) as RFR. For some tenors, it is assumed that the RFRs may be more suitable, and the global transition may also lead to a corresponding migration away from the BBSW. **New Zealand** also keeps its lbor, the BKBM and the compounded Official Cash Rate (NZONIA) will serve as a fallback, but the intention is to develop an RFR and develop a term structure.

A multiple-rate approach is a way forward in **Hong Kong**, with an unsecured HONIA as the RFR. **Singapore** is replacing the SOR rate, which has USD Libor as an input, with the unsecured SORA. This will eventually also replace the SIBOR, a benchmark mainly used in retail and by SMEs. **Thailand** faces a similar issue with THBFX which uses USD Libor as input. It will be replaced by the THOR repo rate, although a THBFX fallback calculated from USD Libor SOFR fallback will be available for legacy contracts. Despite its drawbacks, BIBOR is maintained as a forward-looking term rate. Early in its planning, **India** also faces the issue of USD Libor dependency of its MIFOR rate which will need to be transitioned. The same goes for the **Philippines'** PHIREF, but the stated aim is to retain the local benchmark rates.

Currency	IBOR rate	RFR/ARR	Administrator	Type	Remarks
AUD	BBSW	AONIA (Interbank O/N Cash Rate)	Reserve Bank of Australia	unsecured	Multiple-rate approach
HKD	HIBOR	HONIA (HKD O/N Index Average)	Treasury Markets Association	unsecured	Multiple-rate approach
IDR	JIBOR	IndONESIA	Bank of Indonesia	unsecured	Multiple-rate approach near term
INR	MIFOR (FX based)	to be identified, adjusted MIFOR (SOFR based to keep link to INR in absence of XCCY)			Transition necessary
KRW	KORIBOR	to be identified	-		Multiple-rate approach foreseen
KRW	CD RATE	to be identified	-		Multiple-rate approach foreseen
MYR	KLIBOR	to be identified	-		Multiple-rate approach foreseen
NZD	BKBM	(NZONIA / OCR (Official Cash Rate))	Reserve Bank of NZ	-	Multiple-rate approach foreseen
PHP	PHIREF (FX based)	to be identified	-		Transition necessary, aim is to retain local benchmarks
SGD	SOR (FX based)	SORA (Singapore O/N Rate Average)	MAS	unsecured	Transition necessary
SGD	SIBOR	SORA (Singapore O/N Rate Average)	MAS	unsecured	Transition necessary, rate mainly used retail and SMEs
THB	THBFX (FX based)	THOR (Thai Overnight Repurchase Rate)	Bank of Thailand	secured	Transition necessary
THB	BIBOR	THOR (Thai Overnight Repurchase Rate)	Bank of Thailand	secured	Multiple-rate approach foreseen

Source: Benchmark administrators, FSB, ING

Author

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.