

Press release

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Working group on euro risk-free rates issues high level recommendations for fallback provisions in contracts referencing EURIBOR

- Working group recommends market participants incorporate fallback provisions in all new contracts referencing EURIBOR
- Legacy contracts referencing EURIBOR entered into after 1 January 2018 and falling under EU Benchmarks Regulation should be covered by robust written plans
- In legacy contracts without appropriate fallback provisions, EURIBOR fallback provisions should be introduced or existing provisions enhanced when they are next amended or updated
- Where no specific fallback provision is recommended, the working group is recommending a generic EURIBOR fallback provision

Today, the private sector working group on euro risk-free rates has published a [set of recommendations](#) for fallback provisions in contracts for cash products and derivative transactions referencing EURIBOR. These recommendations support compliance with the EU Benchmarks Regulation (BMR) and enhance legal and commercial certainty.

Among other things, the working group recommends that market participants incorporate fallback provisions in all new financial instruments and contracts referencing EURIBOR, regardless of whether they fall within the scope of the BMR. Legacy financial instruments and contracts referencing EURIBOR that were entered into after 1 January 2018 and that fall within the scope of the BMR should be covered by “robust written plans” prepared by supervised entities in accordance with Article 28(2) of the BMR. For legacy contracts which do not contain appropriately worded fallback provisions, to the extent practicable, market participants should introduce EURIBOR fallback provisions, or enhance existing provisions, when such financial instruments and contracts are next amended or updated. Where no specific fallback provisions are recommended and pending further guidance from the working group or regulatory authorities, market participants may wish to consider including generic language in their

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fallback provisions. To this end, the working group is recommending a standard text for a generic EURIBOR fallback provision.

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Notes

The working group on euro risk-free rates, for which the European Central Bank (ECB) provides the secretariat, is an industry-led group established in 2018 by the ECB, the Financial Services and Markets Authority, the European Securities and Markets Authority and the European Commission. Its main tasks are to identify and recommend alternative risk-free rates and transition paths. On 13 September 2018 the working group recommended the €STR as the new euro risk-free rate. The €STR reflects the wholesale euro unsecured overnight borrowing costs of euro area banks and is published by the ECB.

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