EFTERM®
Consultation Paper

Summary of stakeholder feedback

The European
Money Markets
Institute

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1. Executive summary

On 1 July 2022, the European Money Market Institute (EMMI) launched a public consultation on the euro forward-looking term rate, EFTERM®. The objectives were to present its approach composed of a three-level waterfall, and to gather the markets' views on certain features of this fallback rate.

The consultation period closed on 31 August 2022. EMMI received 16 responses from a range of stakeholders, covering the banking sector and trade associations.

In general, EMMI received positive feedback on the upcoming launch of EFTERM® rates. The stakeholders particularly appreciated the effort to develop a fallback rate to EURIBOR®. Most of the respondents agreed that the features of the methodology described in the Consultation Paper are robust and solid.

Eleven questions on the benchmark determination methodology for EFTERM®

1. On the underlying interest

Nearly all respondents (14 out of 16) supported EMMI's proposal on the statement of the underlying interest for the EFTERM®. Based on the comments received, EMMI has slightly revised the statement of underlying interest for EFTERM® as follows:

The EFTERM® underlying interest is the rate which reflects the ~~average~~ expected (i.e., forward-looking) <u>average evolution of</u> wholesale euro unsecured overnight borrowing costs of euro area banks over defined tenor periods.

2. On the Level 1

Most of the feedback received by EMMI (12 out of 16) was supportive of the proposal. The algorithm of the Level 1 methodology consequently remains unchanged although EMMI has made slight adjustments to the wording in the Benchmark Determination Methodology to address some of the comments.

3. On the Level 2

Most respondents (13 out of 16) agreed with EMMI's proposal on the calculation methodology for Level 2 although some shared valuable comments. The algorithm of the Level 2 methodology consequently remains unchanged although EMMI has made slight adjustments to the wording in the Benchmark Determination Methodology to address some of the comments.

4. On the Level 3

Respondents broadly supported EMMI's proposal. The algorithm of the Level 3 methodology consequently remains unchanged although EMMI has made slight adjustments to the wording in the Benchmark Determination Methodology to address some of the comments.

5. On the waterfall order

EMMI received support on its proposal of the hierarchy of the waterfall methodology from all respondents and has decided not to make changes to the waterfall order.

6. On the defined tenors

All the respondents agreed with EMMI's proposal on the five defined tenors for EFTERM®.

7. On the two-hour window

Only six respondents fully supported EMMI's proposal on the two-hour window from 8:30 until 10.30 am. Most of the reticence came from stakeholders who suggested to calculate EFTERM® on a T+1 basis, with the aim to align it with EURIBOR®. EMMI disagrees with this argument and continues to believe that the proposed two-hour window provides reliable, representative input data with which to calculate the benchmark. Consequently, EMMI has decided not to make any changes to the two-hour window.

8. On the standard market sizes (SMS)

Most of the feedback received (10 out of 16) supported EMMI's proposal on the SMS. Other views were a mix between increasing and decreasing the standard market sizes. EMMI has therefore decided to keep the SMS unchanged for the moment.

9. On the trimming parameters

EMMI's proposal on the trimming parameters was supported by most of the respondents (13 out of 16). The 85-15 trimming parameters are therefore maintained.

10. On the calculation basis and publication

EMMI received broad support (13 out of 16) on, and will retain, its proposal to publish EFTERM® rates on every TARGET day at or shortly after 11:15 am.

11. On the contingency

Support on EMMI's proposal was expressed by over half of the respondents (9 out of 16). Following the feedback received, EMMI has decided to limit the use of the contingency mechanism to three TARGET days instead of five.

EMMI's plans for go-live

EMMI intends to proceed with the implementation of the methodology and to go live with the publication of EFTERM® rates in November 2022.

2. Introduction

On 1 July 2022, EMMI published a Consultation Paper on the euro forward-looking term rate EFTERM®. The Consultation Paper described EFTERM®, a forward-looking term rate based primarily on €STR-linked OIS quotes, as a fallback rate to EURIBOR®. EMMI developed this fallback rate to provide its users with an easily accessible option to comply with relevant legal requirements, notably Article 28 (2) of the EU Benchmarks Regulation[1]. EMMI sought input from all interested parties on the EFTERM® methodology composed of a three-level waterfall. The EFTERM® methodology presented is based on recommendations issued by the Euro Risk Free Rate Working Group (RFR WG). EMMI sought a reliable indication of the market's opinion and views on the proposed methodology.

The consultation period closed on 31 August 2022. EMMI received 16 responses from the stakeholders, mainly from the banking sector and trade associations. EMMI welcomes all feedback received and thanks all consultation respondents for their comments. All respondents expressed positive comments on the development of EFTERM®.

This document summarizes the respondents' feedback to EMMI's questions. The questions have been divided into four main sections: EFTERM® underlying interest; methodology; publication of EFTERM® rates; and other additional comments. When appropriate, EMMI provides its view on the issues raised by the stakeholders. In the last section, some details about the state of play and next steps are provided.

3. Feedback to the questions in the Consultation Paper

3.1. EFTERM® underlying interest

In the Consultation Paper, EMMI defined the EFTERM® underlying interest as the rate which reflects the average expected (i.e., forward-looking) wholesale euro unsecured overnight borrowing costs of euro area banks over defined tenor periods. The defined tenors being 1 week, 1 month, 3 months, 6 months, and 12 months.

Question 1: Do you have any comments on EFTERM®'s underlying interest?

Feedback	No. of respondents
No or minor comments	14
More significant comments	2
Clear opposition	0

Most respondents supported EMMI's proposal on the statement of the underlying interest for the EFTERM®. A few respondents mentioned several differences in the statement of underlying interest compared to EURIBOR® and/or the lack of a credit component making EFTERM® not directly comparable to EURIBOR®. Others pointed out the need to further clarify the absence of a credit spread.

[1]Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

EMMI's position

In contrast to EURIBOR® which is a credit-sensitive benchmark primarily based on money market transactions collected over a broad time window, forward-looking term rates comparable to EFTERM® include no credit-sensitive element and by current market conventions are generally based on derivatives market data collected on the day of publication.

EMMI would like to reiterate that EFTERM® is a "contractual replacement" fallback to EURIBOR® in the sense of Article 28 (2) of the EU Benchmark Regulation and not a "go-forward alternative" to EURIBOR®. Fallback rates based on a backward- or forward-looking term structure and designed as contractual replacement rates to credit-sensitive benchmarks such as EURIBOR® will therefore likely also refer to a credit-spread adjustment to mirror the replaced reference rate more closely. This adjustment should be addressed by the users in the applicable contractual provisions.

EMMI followed the RFR WG's recommendations that forward-looking term structures be "based on quotes and transactions in the derivatives markets referencing the €STR and reflect market expectations of the evolution of the €STR during the upcoming interest rate period"[2].

Outcome

Based on the comments received, EMMI has slightly revised the statement of underlying interest for EFTERM® as follows:

The EFTERM® underlying interest is the rate which reflects the ~~average~~ expected (i.e., forward-looking) average evolution of wholesale euro unsecured overnight borrowing costs of euro area banks over defined tenor periods.

The rationale for keeping "wholesale euro unsecured overnight borrowing costs of euro area banks" unchanged is to make a reference to the underlying interest of €STR; the evolution of which EFTERM® is measuring.

3.2. Methodology

As described in the Consultation Paper, EMMI proposes that EFTERM® follows a three-level waterfall methodology.

3.2.1. Level 1 description

The first level of the waterfall consists of €STR-based OIS tradeable bid and offer prices and volumes collected for each defined tenor as available on the Central Limit Order Books (CLOBs) of the selected electronic trading venue(s) over a two-hour window spanning from 8:30 to 10.30 am CET on the day of the EFTERM® calculation and divided into 24 blocks of five minutes each.

Question 2: Do you have any comments on Level 1 of the methodology?

For the sake of clarity, any comments referring to the two-hour window are not addressed in this section but in Question 7 below.

[2] https://www.ecb.europa.eu/pub/pdf/other/ecb.recommendationsEURIBORfallbacktriggereventsandESTR.202105~9e859b5aa7.en.pdf, section 4.2.

Feedback	No. of respondents
No or minor comments	12
More significant comments	4
Clear opposition	0

Almost all feedback received by EMMI was supportive of the proposal. Nevertheless, EMMI received a number of relevant comments:

- Three respondents asked EMMI to clarify why Level 1 is only considering quotes and not transactions, as recommended by the RFR WG.
- Three respondents requested some clarity on the identity of and selection criteria for the trading venues, pointing out that liquidity and market depth should be a key element for selecting a trading venue.
- One respondent added that attention must be paid to the plurality of market makers engaged through the platforms, and the preference should go toward the platforms featuring more active market makers.
- One respondent pointed out the importance of considering how the snapshots with sufficient tradable volume are distributed along the two-hour window.
- Several respondents also raised concerns about the unavailability of Level 1 data and the lack of a clear timeline when it will be available, and one believes that there currently exists no CLOB for €STR-based swaps.

EMMI's position

Many of the questions raised cannot be addressed at this stage simply because EMMI does not possess the necessary information (notably on the timeline of Level 1 data availability, and the list of selected trading venues).

The RFR WG found that an OIS transaction-based methodology was unviable in the absence of sufficient transactions and volumes to support it. Instead, it favoured a methodology that combined tradeable bid and ask prices in €STR OIS swaps markets in multiple Central Limit Order Books into a "theoretical" order book to capture the highest possible liquidity. The RFR WG's final recommendation was to use forward-looking term structures based on quotes and transactions in the derivatives markets, referencing the €STR exclusively or in combination with backward-looking term structures as fallback rates for EURIBOR®, for a variety of asset classes[3].

The proposed methodology is based upon quotes rather than trades, as within a liquid market quotes should always be available from multiple dealers across the whole of the sampling window. In other words, quotes can ensure a constant and reliable market depth.

Although, at present, EFTERM® is expected to be calculated using input data at Level 2 or Level 3 of the methodology, EMMI continues to monitor the availability of tradeable quotes on €STR swaps and expects to use Level 1 input data to derive EFTERM® when this becomes available in the future. Notwithstanding that, EMMI is confident that Level 2 of the waterfall methodology determines a robust benchmark that relies on quality data. This claim is supported by (i) the results of the 6-month internal testing phase carried out by EMMI and described in the EFTERM® Consultation

[3] https://www.ecb.europa.eu/pub/pdf/other/ecb.recommendationsEURIBORfallbacktriggereventsandESTR.202105~9e859b5aa7.en.pdf

Paper, (ii) the beta EFTERM® which has successfully published rates for over three additional months without having to rely on the Level 3 of the waterfall, and (iii) the feedback received on the EFTERM® Consultation Paper and reported in this document (see in particular section 3.2.2 on the Level 2).

Last but not least, the methodology, including its algorithm and its associated parameters will be regularly reviewed by the EFTERM® Oversight Committee to ensure that the approach taken always meets market needs.

Outcome

The algorithm of the Level 1 methodology remains unchanged although EMMI has made slight adjustments to the wording to address some of the feedback received.

3.2.2. Level 2 description

The second level of the waterfall is invoked when fewer than six snapshots can be calculated using the Level 1 methodology. It consists of €STR-based OIS dealer-to-client bid and offer prices and volumes as displayed for each defined tenor by the selected electronic trading venue(s) over the same two-hour window as in the Level 1 methodology, again divided into 24 blocks of five minutes each.

Question 3: Do you have any comments on Level 2 of the methodology?

Once again, any comments referring to the two-hour window are not addressed in this section but in Question 7 below.

Feedback	No. of respondents
No or minor comments	13
More significant comments	3
Clear opposition	0

Most of the respondents agreed with EMMI's proposal on the calculation methodology for Level 2 although some shared valuable comments:

- Several respondents pointed out similar aspects as those raised under the Level 1 methodology such as providing transparency on the list of trading venues and market makers, the selection criteria applied by EMMI, and one even suggested a possible periodic rotation of the market makers.
- One respondent asked whether input data that is insufficient to calculate Level 1 is used in the Level 2 calculation to top-up the Level 2-specific input data or whether it is being disregarded.
- Another suggested to consider €STR-based ECB meeting date OIS contracts for use as input data. These contracts do not necessarily correspond to the standard tenor periods of EFTERM®.
- One respondent queried the eligibility criteria for selecting Level 2 quotes.
- One participant challenged the use of input data associated with multiple categories of clients and suggested that to reflect the wholesale euro unsecured overnight

borrowing costs one should only consider quotes associated with financial counterparties and the wholesale market.
- One final suggestion was brought to EMMI's attention for an on-going monitoring of the number of active dealers and the quality of their bid-offer spreads and volumes, thereby avoiding to rely on a limited number of market players and/or on non-competitive prices.

EMMI's position

EMMI confirms that it will publish the list of participating trading venues on its website.

EMMI wishes to clarify that input data which could not be used under Level 1 is disregarded in the Level 2 of the methodology. The two sources of input data are never used concurrently. This is also valid for Level 3.

EMMI wishes to clarify how data is collected for Level 2 compared to Level 1. While Level 1 input data are sourced from the trading venues' Central Limit Order Books (CLOBs), Level 2 quotes require dealer intermediation and no such CLOBs exist. Quotes used in Level 2 are being displayed by dealers in the trading venue's platform and are either being kept displayed, updated, or removed throughout the day. The data collected for Level 2 thereby reflects the prices and volumes displayed by the participating dealers throughout the 2-hour window at points in time defined by the randomly generated snapshots.

EMMI wishes to clarify that the benchmark intends to reflect market expectations of the evolution of the unsecured overnight borrowing costs, and as such using input data associated with multiple client categories is preferred, to reflect the expectations of the wider market.

Outcome

The algorithm of the Level 2 methodology remains unchanged although EMMI has made slight adjustments to the wording in the Benchmark Determination Methodology to address some of the feedback received.

3.2.3. Level 3 description

The third level of the waterfall is invoked whenever fewer than six snapshots can be calculated using the Level 2 methodology. It consists of a step function model using €STR-linked futures' settlement prices, €STR rates, and the ECB reserve maintenance periods calendar to determine the implied average daily overnight rates, which are then compounded over the relevant tenor period to produce the corresponding EFTERM® rate.

Question 4: Do you have any comments on Level 3 of the methodology?

Feedback	No. of respondents
No or minor comments	9
More significant comments	4
Clear opposition	0
Could not assess	2

Most of the feedback received was supportive and did not object to EMMI's proposal. A few respondents highlighted that the use of the one-month €STR index futures may not be sufficiently robust.

A significant number of respondents (6 out of 16) expressed concerns related to the liquidity in the one-month €STR index futures, claiming that activity is not yet sufficiently robust and widespread. Low market volumes could affect the representativeness of the implied rates. Past experiences with EONIA® futures showed that this segment has not been very liquid, and volumes have been low. Such situations may subsist for one-month €STR-linked futures.

Two respondents did not find the Level 3 methodology sufficiently clear to understand its mechanism and to comment. One of them suggested providing an example.

One respondent thinks that using the closing prices of the previous day for Level 3 is not ideal. If Level 1 and Level 2 are not available, it is likely that a serious market event has occurred and will impact rate expectations.

<u>EMMI's position</u>

EMMI is confident that each level of the waterfall produces a representative rate, with the benefit that a rate can be produced in all market circumstances. Appropriate surveillance of the rates determined by all levels of the waterfall and a comparative analysis between each level are in place to ensure that all levels are representative, and that appropriate oversight is conducted.

Futures settlement prices should always be available from the ICE Futures exchange. EMMI acknowledges the possibility that a significant market event can occur between the determination of the settlement prices and the calculation of the benchmark. However, EMMI takes the view that it is important for the methodology to be able to produce a rate based on the best available representative data in every situation to meet the users' need for a consistent and reliable benchmark publication.

EMMI will continue monitoring the historical time-series of Level 3 rates to ensure that it remains consistent with the behaviour of Level 1 and Level 2 rates. EMMI also intends to publish transparency indicators on its website on a quarterly basis, including the frequency of reliance in the Level 3 methodology. On this aspect, EMMI would like to stress that since the beta EFTERM® phase started on 1 June 2022, the beta EFTERM® rates were determined every day for all defined tenors using the Level 2 of the methodology. No reliance on the Level 3 of the methodology was required.

<u>Outcome</u>

The algorithm of the Level 3 methodology remains unchanged although EMMI has made slight adjustments to the wording in the Benchmark Determination Methodology to address some of the feedback received.

3.2.4. Waterfall Order

As presented in the Consultation Paper, the preference of Level 1 of the waterfall methodology over Level 2 is justified by the preference of tradeable quotes from Central Limit Order Books over dealer-to-client quotes for which the execution is subject to the liquidity providers accepting the trade ("last look"). Separately, Level 3 of the waterfall ensures that a rate can be calculated even in the absence of sufficient tradeable or dealer-to-client quotes in the two-hour window.

Question 5: Do you agree with the proposed hierarchy of the waterfall methodology?

Feedback	No. of respondents
Yes	16
No	0

EMMI received support on the proposal of the hierarchy of the waterfall methodology from all respondents to the consultation.

Three respondents however highlighted that the Level 1 of the methodology remains a theoretical level for which no input data is currently available. One of them further warned that should the situation persist for too long it could weaken the entire architecture of EFTERM® and may send the wrong signal to the financial community.

EMMI's position

The waterfall has been specifically designed to ensure that a price from at least one level of the waterfall should always be available. Past experiences with similar methodologies have shown that the availability of prices from one level of the waterfall is independent of the availability of prices from another level of the waterfall.

EMMI is mindful of the current unavailability of Level 1 input data and does not have a view when such data will become available. Notwithstanding, EMMI constantly monitors the situation and will ensure that tradeable quotes can be included in the benchmark calculation as soon as available. Market participants should keep in mind that a testing period with Level 1 data may be required prior to launching it in the live benchmark.

Outcome

Following the feedback received, EMMI has decided not to make changes to the proposed waterfall order.

3.2.5. *Defined tenors*

EMMI proposes to publish EFTERM® for all currently defined EURIBOR® tenors, i.e., 1-week, 1-month, 3-month, 6-month and 12-month. This will allow EURIBOR® users to nominate EFTERM® as a fallback rate, regardless of which EURIBOR® tenor they are using in their specific case.

Question 6: Do you agree that EFTERM® should be published for all the existing EURIBOR® tenors?

Feedback	No. of respondents
Yes	16
No	0

All the respondents agreed with EMMI's proposal on the five defined tenors for EFTERM®. One respondent proposed to extend the calculation of EFTERM® to all possible tenors from 1 week up to 12 months (e.g. 2 weeks, 2 months, 4 months etc.) for monitoring of market expectations.

EMMI's position

At this stage EMMI is not looking to broaden the list of defined tenors. Nevertheless, extending the calculation of EFTERM® to other tenors may be considered as part of future methodology reviews.

Outcome

The defined tenors for EFTERM® will be 1-week, 1-month, 3-month, 6-month and 12-month.

3.2.6. Two-hour window

EMMI has considered an appropriate timeframe to obtain snapshots for the calculation of Level 1 and Level 2 of the EFTERM® methodology and favours the two-hour window from 8.30 until 10.30 am.

Question 7: Do you find the two-hour window from 8:30 am to 10:30 am CET appropriate to capture a representative portion of the €STR-based OIS market?

Feedback	No. of respondents
Yes	6
No – EURIBOR® argument	6
No – Tighter, closer to publication	2
No – Move closer to publication (9:00 to 11:00)	1
No – Enlarge (8:30 to 11:30)	1

EMMI received diverging comments on this question. Six respondents fully supported EMMI's proposal on the two-hour window from 8:30 until 10:30 am. Another group of six respondents believed that the window should be enlarged to capture the full day and calculate EFTERM® on a T+1 basis, with the aim to align it with EURIBOR®. A couple of others suggested to enlarge, push, and/or tighten the window.

EMMI's position

EMMI welcomes the comments received on this question. However, as elaborated under the feedback to question 1, we wish to emphasise again that EFTERM® is not designed to be a one-for-one replacement to EURIBOR®.

EMMI believes that the two-hour window from 8:30 until 10.30 is appropriate as it represents a large share of the activity in the OIS market. The two-hour window was found to provide reliable, representative input data prior to the time of publication with which to calculate the benchmark. This offers a good compromise between a narrow window focused on the benchmark publication time and a broad window focused on collecting a larger data sample. Using a very short sampling window can cause issues if there is a market event that causes market makers to temporarily withdraw their quotes.

Furthermore, we observe that the convention for various successful forward-looking term rates based upon Risk-free Rates has been to sample OIS prices from trading venues on the day of the benchmark publication.

Last but not least, moving the window close to 11:00 or after 11:15 will prevent EFTERM® from being calculated and published at a similar time to EURIBOR®.

Outcome

Considering the variety of responses and still a relative support to the initial proposal, while also finding that the argument to replicate the EURIBOR® setup is not satisfying, EMMI has decided not to make any changes to the two-hour window.

3.2.7. Standard Market Sizes

The Standard Market Sizes (SMS) are used to ensure that there is enough volume supporting the volume-weighted average mid-price (VWAMP) of a defined snapshot. The proposed SMS were the following:

Tenor	SMS (EUR)
1W	1,000 million
1M	750 million
3M	500 million
6M	250 million
12M	100 million

Question 8: Do you think the proposed Standard Market Sizes are appropriate for each defined tenor?

Feedback	No. of respondents
Yes	10
No – Increase	4
No – Decrease	2

Most of the feedback received supported EMMI's proposal on the SMS. Four respondents suggested to increase the SMS to guarantee a better representation of the rate. Two respondents proposed to decrease the SMS by up to 50 percent to capture more snapshots and consequently increase the robustness of the rate. One respondent acknowledged the trade-off between higher SMS and fewer qualifying snapshots. Another respondent suggested to consider applying different SMS across Level 1 and Level 2 of the methodology but without providing any views on how such values should be set.

EMMI's position

The SMS should be high enough to ensure market integrity without jeopardising the availability of the benchmark. As such, the proposed SMS were found to facilitate the calculation of a reliable and representative benchmark.

Furthermore, the SMS sizes will be regularly reviewed to ensure that they maintain this balance and produce a reliable and representative benchmark. In the context of such revisions, EMMI is not against the principle of applying different SMS sizes across the two levels of the methodology should this be supported by the data.

Outcome

EMMI will keep the SMS as indicated in the Consultation Paper and will re-evaluate them annually as part of the review of the EFTERM® methodology.

3.2.8. Trimming parameters

The calculation of waterfall levels 1 and 2 is based on a trimmed average, an outlier-removal technique. EMMI suggested setting the trimming parameters for EFTERM® to 85-15, meaning the calculation algorithm would remove the observations that are distributed above the 85th percentile and below the 15th percentile.

Question 9: Do you have any comment on the choice of trimming parameters?

Feedback	No. of respondents
No comments	13
No opinion	1
Other suggestions	2

EMMI's proposal on the trimming parameters was supported by most of the respondents. One party suggested confirming the choice of the trimming parameter over a longer observation period. Another proposed to add the size of the bid/offer spread as a weighting factor for the trimming technique.

EMMI's position

EMMI wishes to point out that the current methodology also features a quality-weighting based on the bid/offer spreads. Indeed, to determine the applicable EFTERM® rate for a defined tenor, the calculated volume-weighted average mid-prices (VWAMPs) of all market snapshots after the 85-15 trimming are quality-weighted averaged, based on the inverse of the spread between the Volume-weighted Bid and the Volume-weighted Offer. In other words, the 85-15 trimming technique is applied on VWAMPs of all market snapshots, one step before performing the quality-weighted average.

As regards the lookback period, EMMI found very few differences during the testing period between the 85-15 and 75-25 parameters. Similarly, EMMI does not expect to observe a different outcome over a longer testing period. Notwithstanding, EMMI will periodically review the EFTERM® methodology and propose changes to the trimming parameters where and when appropriate.

Outcome

EMMI will retain the 85-15 trimming parameters.

3.3. Publication of EFTERM rates

3.3.1. Calculation basis and publication

EMMI proposed to publish the EFTERM® rates on every TARGET day at or shortly after 11:15 am (CET) and to make them available to all subscribers of the EMMI Data Package via authorised data vendors.

Question 10: Do you find it desirable that the EFTERM® rates be published at the same time or shortly after the publication of EURIBOR® rates?

Feedback	No. of respondents
Yes	13
No	0
No opinion	3

EMMI received broad support on the proposal to publish EFTERM® rates on every TARGET day at or shortly after 11:15 am.

One respondent commented that for hedging purposes the publication time should be closer to the last snapshot (which is currently set to around 10:30 am CET).

Outcome

EMMI will publish the EFTERM® rates on every TARGET day at or shortly after 11:15 am (CET).

3.3.2. *Contingency*

As described in the Consultation Paper, where it is not possible to calculate EFTERM® for a defined tenor at any level of the waterfall methodology, EFTERM® of the previous TARGET day for the corresponding tenor will be republished and used as the EFTERM® rate for that day. Should the situation persist, EMMI proposed to apply this strategy for a period of up to five TARGET days following the last publication established under the regular calculation process.

Question 11: Do you agree with the approach to republish previous days' EFTERM® rates as a contingency?

Feedback	No. of respondents
Yes	9
No	6
No opinion	1

EMMI's proposal on the contingency was supported by most of the respondents. However, six respondents expressed their preference to minimise the number of days where prior rates continue to be republished as the EFTERM® rates. Some respondents suggested to add a mechanism to correct the rate of the previous day based on the movements of the underlying market between the two dates, while others questioned the difference with EURIBOR® where such a mechanism is applied for up to three TARGET days.

Outcome

Following the feedback received, EMMI has decided to limit the use of the contingency mechanism to three TARGET days instead of five.

3.4. Other comments received

EMMI gave the opportunity to respondents to express their ideas and comments about any of the topics included in the Consultation Paper for which EMMI may have not posed an explicit question.

EMMI received positive feedback on the upcoming launch of EFTERM® rates. Respondents welcomed the decision of EMMI to go live with the publication of EFTERM® in Q4 2022. Others expressed that EFTERM® could be used by the market, not only as a fallback rate for EURIBOR®, but also as a standalone benchmark.

EMMI takes note of the latter statement but leaves it to the users to assess the fit of EFTERM® for their particular use cases.

4. State of play and next steps

Taking into consideration all the respondents' feedback and comments received, EMMI is comfortable that the methodology described in the Consultation Paper ensures EFTERM®'s robustness and representativeness. Nevertheless, EMMI has taken into consideration several suggestions from respondents when finalising the Benchmark Determination Methodology for EFTERM®. This document is published on the EFTERM® section of EMMI's website.

To ensure EFTERM®'s sustainability, reliability and integrity but also to ensure compliance with the EU Benchmarks Regulation (BMR), EMMI has put in place a Governance Framework consisting of effective control and oversight arrangements for the Administrator and for the Calculation Agent. Documents related to this Governance Framework are also published on the EFTERM® section of EMMI's website.

EMMI intends to proceed with the implementation of the methodology and to go live with the publication of EFTERM® rates in November 2022.

Once again, EMMI wishes to thank all consultation respondents for their feedback on EMMI's proposal for a methodology for EFTERM®.

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