

## SOLUTION OVERVIEW

# FTSE Term €STR



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The working group on euro risk-free rates recommended developing more robust fallback language in contracts and financial instruments referencing EURIBOR® as this can help to enhance legal certainty and BMR compliance in the event of permanent EURIBOR® discontinuation.

Market participants should, to the extent possible, aim for consistency in relation to fallback provisions across all asset classes and related contracts in order to deal with transfer value and basis risks.

The recommended EURIBOR® fallback should be based on either a forward- or a backward-looking €STR term structure and a spread adjustment. A forward-looking term €STR is recommended for a range of cash products such as:

- Retail and SME loans and mortgages
- Trade finance products
- Export and emerging market finance products (for which counterparties prefer to know the interest rates and amounts in advance)

Furthermore, the working group recognises that forward-looking term €STR fallbacks can be suitable in some corporate lending products and some securitisations.

## Our offering

FTSE Term €STR is a forward-looking, risk-free rate available in spot-week, one-month, three-month, six-month and 12-month tenors denominated in euros and published at or around 11:00CET on each TARGET2 business day.

The benchmark adopts a waterfall methodology to support publication during periods of illiquidity.

Executed trades and streaming quotes are sourced from LCH and Tradeweb respectively for the previous TARGET2 business day between 09:00 and 18:00 CET. Both datasets are subject to quality criteria, such as minimum volume checks. For executed trade data the number of trades between the same counterparty pair, for the same tenor at the same rate is capped. Quote data is snapped every 10-minutes and a mid-rate per snap is calculated. Each valid mid-rate must be composed of a minimum number of dealers. Subject to sufficient executed trades and quote data the rate is published by removing the top 20% and bottom 20% of trades and mid-rates from quotes and calculating the average of the remaining values.

In all other scenarios the benchmark is calculated using the integrated fallback. The spread between the benchmark on the previous TARGET2 business day and overnight €STR compounded to the previous TARGET2 business day is applied to €STR compounded to the day of the benchmark determination.



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## How to access the rates

FTSE Term €STR is available through the full suite of LSEG products, including LSEG Eikon®, LSEG Real-Time and LSEG DataScope using the following RICs:

- FTSE Term €STR spot-week: EURTRRSW=RFTB
- FTSE Term €STR one-month: EURTRR1M=RFTB
- FTSE Term €STR three-month: EURTRR3M=RFTB
- FTSE Term €STR six-month: EURTRR6M=RFTB
- FTSE Term €STR twelve-month: EURTRR1Y=RFTB

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**All countries (toll free):** +1 800 427 7570

**Brazil:** +55 11 47009629

**Argentina:** +54 11 53546700

**Chile:** +56 2 24838932

**Mexico:** +52 55 80005740

**Colombia:** +57 1 4419404

### Europe, Middle East, Africa

**Europe:** +442045302020

**Africa:** +27 11 775 3188

**Middle East & North Africa:** 800035704182

### Asia Pacific (Sub-Regional)

**Australia & Pacific Islands:** +612 8066 2494

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**Philippines:** 180 089 094 050 (Globe) or 180 014 410 639 (PLDT)

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