EUROPEAN CENTRAL BANK

EUROSYSTEM

€STR Annual Methodology Review

December 2024

Content

1 Introduction 3

2 Methodology 5

2.1 Assessment of rate accuracy 5

2.2 Assessment of data sufficiency 8

2.3 Assessment of rate representativeness 9

Box The impact on the €STR of the integration of new reporting agents in 2025 12

3 Scope 15

3.1 Maturity analysis 15

3.2 Sectoral analysis 16

3.3 Instrument analysis 18

3.4 General assessment of scope 19

4 Parameter calibration 20

4.1 Testing the 25% trimming level 20

4.2 Testing the contingency thresholds 21

5 Overall assessment 24

1 Introduction

The European Central Bank (ECB) launched the euro short-term rate (€STR) on 2 October 2019. The €STR reflects the wholesale euro unsecured overnight borrowing costs of banks located in the euro area. The rate is based entirely on daily confidential statistical information relating to money market transactions collected in compliance with the Money Market Statistical Reporting (MMSR) Regulation[1].

Over the past five years the €STR has established itself as a highly credible benchmark. It has been bolstered by strong trading volumes and increased activity, in particular since the COVID-19 pandemic and the shift to positive interest rates. A futures market based on the €STR is also now emerging, complementing the overnight index swaps market.

During the review period (1 October 2023 to 30 September 2024), the €STR continued to behave as a robust and representative benchmark, and as such it remained a solid anchor for market participants and users. It again showed a strong pass-through of the ECB's monetary policy rate changes, i.e. the rate cuts in June and September 2024.

The MMSR reporting population was expanded on 1 July 2024. During these initial months, from 1 July to 30 September 2024, the ECB gained a good understanding of how these new reporters may affect the €STR once their data have been integrated into the benchmark calculation, expected to take place after 1 July 2025 (see the box below).

The €STR Guideline[2] regulates the production of the €STR and establishes the ECB's responsibility as a rate administrator. Under Article 15 of the Guideline, the ECB is required to review at least annually whether changes in the underlying market for the €STR require changes to be made to the €STR methodology. This report therefore (i) reviews the performance of the rate and developments in the underlying markets, and (ii) assesses whether any changes in the methodology are required so the rate better captures the underlying economic reality, namely the overnight wholesale unsecured borrowing costs of euro area banks. The assessment is an important review of the robustness of the methodological choices made in 2018, when market conditions were very different.

1 Regulation (EU) No 1333/2014 of the European Central Bank of 26 November 2014 concerning statistics on the money markets (ECB/2014/48) (OJ L 359, 16.12.2014, p. 97).

2 Guideline (EU) 2019/1265 of the European Central Bank of 10 July 2019 on the euro short-term rate (€STR) (ECB 2019/19) (OJ L 199, 26.7.2019. p. 8).

The ability of the €STR methodology to correctly measure the defined underlying economic reality is first assessed against the three main criteria set out below.

- Rate accuracy: does the rate correctly reflect the underlying market dynamics?
- Data sufficiency: is the rate built on a sufficient volume of data?
- Rate representativeness: is the rate unbiased?

This initial assessment of the methodology is then complemented by a gap analysis using MMSR data. This is to ensure that the defined scope is still adequate for measuring the underlying interest rate.

Finally, the calibration of key parameters in the methodology is reviewed, specifically the 25% trimming level and the data sufficiency thresholds.

The report is structured as follows: Section 2 reviews how the methodology performed in the reference period, analysing €STR volatility and trends in the underlying volume of transactions; Section 3 reviews the adequacy of the scope of the €STR and looks into market developments in sectors and maturities outside the current scope, while a box gives an early assessment of how the inclusion of data from 24 additional banks in the MMSR data since July 2024 is likely to affect the benchmark; Section 4 reviews the core parameters of the methodology; Section 5 concludes with a final assessment.

2 Methodology

This section looks at the development of the €STR's main metrics to assess whether the methodology proved able to deliver an adequate measure of the underlying economic reality.

2.1 Assessment of rate accuracy

During the period under review, the €STR reflected market dynamics well.

First, the €STR showed a full and immediate pass-through of the ECB's policy rate changes. The ECB cut its key interest rates twice during the period under review, lowering the deposit facility rate, which is the rate through which the Governing Council steers the monetary policy stance, from 4.0% to 3.5%.[3] Accordingly, the €STR decreased from 3.90% at the beginning of October 2023 to 3.41% at the end of September 2024.

Second, given the high level of excess liquidity in the banking system, the €STR maintained a negative spread to the deposit facility rate, which tightened marginally from around 10 basis points in October 2023 to around 9 basis points at the end of the review period. The high level of excess liquidity continued to provide an opportunity for reporting banks to apply rates below the deposit facility rate to overnight deposits from other financial institutions, especially those without access to the deposit facility. As outlined in the two public consultations that supported the development of the €STR methodology, unsecured money market activity has largely shifted away from the interbank market and now encompasses transactions with a large array of other financial institutions, including money market funds and insurance corporations and pension funds. These firms do not have access to the Eurosystem deposit facility, and commercial banks therefore routinely offer them rates below the deposit facility rate, thereby covering the associated transaction and regulatory costs.

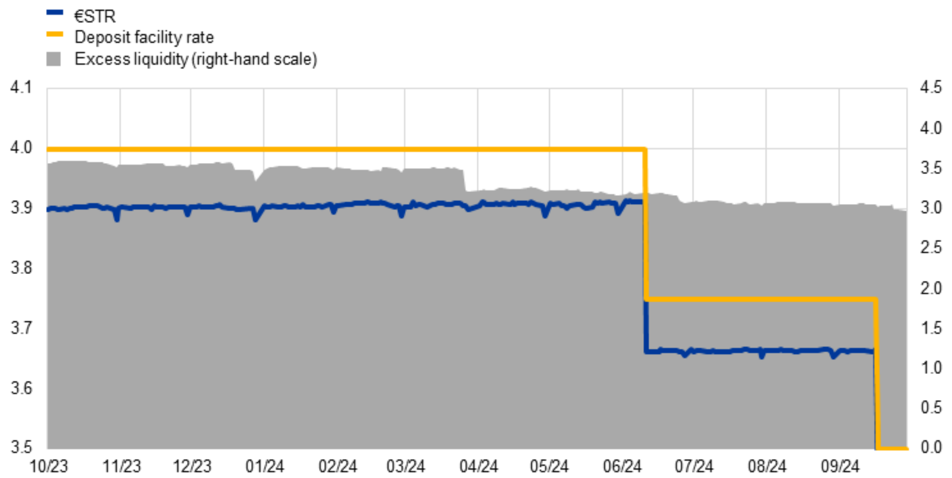
Third, the €STR reflected market dynamics on specific calendar days, for instance month-ends and quarter-ends, when banks are more sensitive to the size of their balance sheet and tend to limit exposures, including by lowering their rates (Chart 1).

[3] For information on the way the Governing Council steers interest rates, see "Changes to the operational framework for implementing monetary policy", statement by the Governing Council, ECB, 13 March 2024.

Chart 1

The €STR and the monetary policy environment since 1 October 2023

(left-hand scale: percentages; right-hand scale: EUR billions)



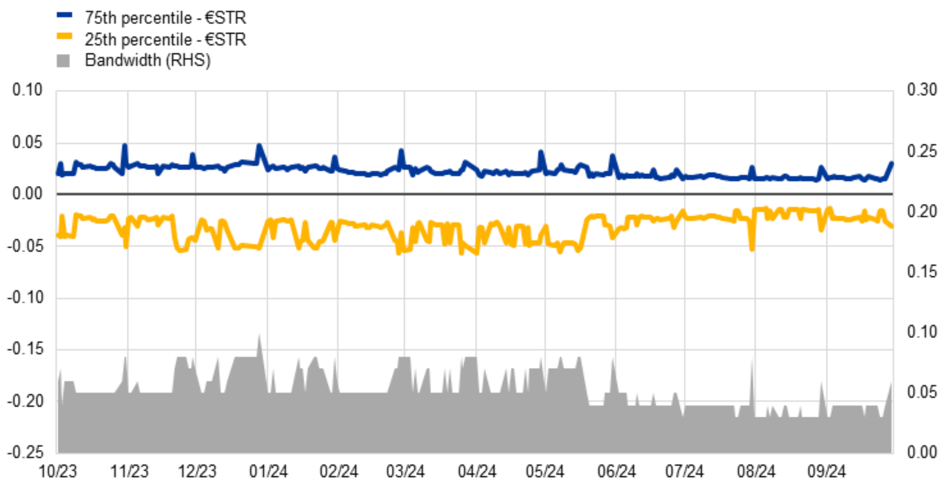
Source: ECB calculations.

Rate dispersion, measured as the difference between the rates at the 25th and 75th percentiles (i.e. the interquartile range), halved compared with the previous review period, hovering between 3 and 4 basis points. The reduced dispersion was most visible at the 25th percentile, i.e. less transactions priced lower than the average (Chart 2). To recall, during the rapid rate-hiking cycle in 2022 and 2023 banks were able to maintain a wider price range as the shift to positive rates brought new counterparties, some of which were less price-sensitive. However, if lower/higher percentiles are included (the 10th and 90th, for example), price dispersion does not show similar signs of declining and even increases slightly at the end of the period under review, suggesting more idiosyncratic pricing conditions at the extremes of the distribution.

Chart 2

Spread between the €STR and rates at the 25th and 75th percentiles

(percentage points)



Source: ECB calculations.

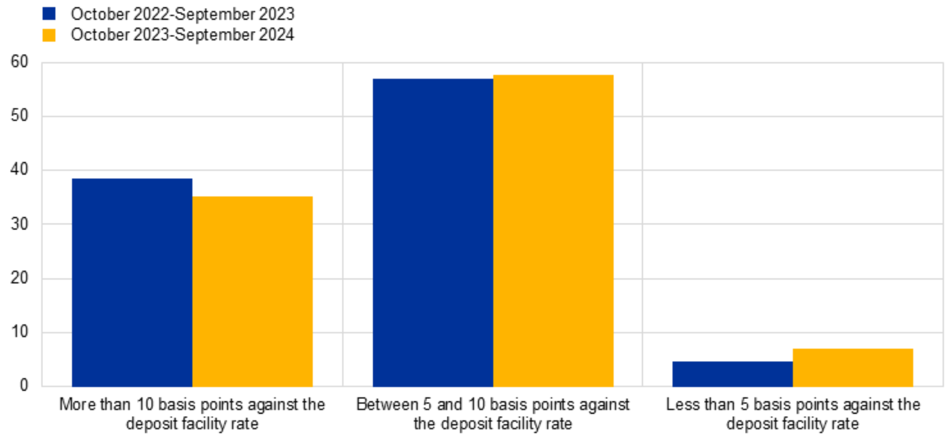
The distribution of rates on transactions eligible for inclusion in the €STR calculation (before trimming) changed in the review period. The weight of lower-priced transactions, particularly those priced at a spread of more than 10 basis points below the deposit facility rate, decreased (Chart 3), and the share of transactions priced closer to the deposit facility rate increased. This suggests that as excess liquidity continues to decline, banks may have less leeway to remunerate deposits at uncompetitive rates significantly below the deposit facility rates.

In terms of day-to-day volatility, the average absolute daily fluctuation of the €STR hovered at around 0.3 basis points, compared with around 0.2 basis points in the previous four years.[4] However, the volatility of the rate rose at month-ends, to around 1.3 basis points on average during the period under review, 0.1 basis points higher than in the previous review period. The increase in month-end volatility could be partly attributed to the ECB's change in the remuneration of required minimum reserves as of 20 September 2023, as banks tended to offer lower rates at snapshot dates in an effort to minimise their deposit base for the calculation of required reserves.

Chart 3

Volume share and price distribution

(percentages of total volume)



Source: ECB calculations.

[4] In order to avoid overestimating volatility, the calculation excludes the days where the ECB's rate cuts affected the €STR at the start of the respective maintenance periods.

Assessment of rate accuracy

In the year under review, against a backdrop of ECB policy rate cuts, the €STR was fully consistent with general market trends. The distribution of the underlying transactions changed somewhat, with the weight of transactions at lower rates decreasing compared with the previous review period. However, volatility remained contained and €STR reflected the impact of the factors affecting day-to-day money market liquidity and trading patterns, such as month and quarter-ends.

2.2 Assessment of data sufficiency

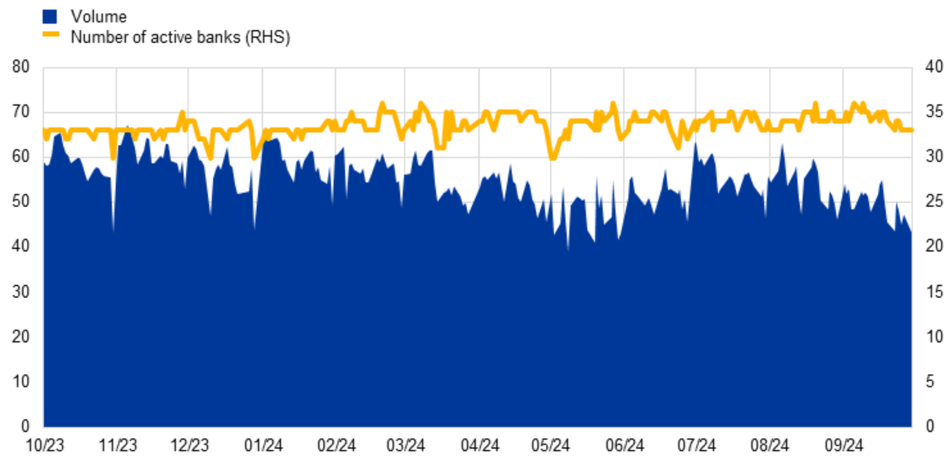
The transaction volumes providing the basis for the calculation of the €STR decreased during the period under review, reaching an average of €55 billion. This is slightly lower than the average of €62 billion during the rate-hiking cycle in 2023, when many financial institutions sought to manage deposits more actively. In the years before, however, average €STR volumes were – sometimes substantially – lower, i.e. €52 billion in 2022, €45 billion in 2021 and €38 billion in 2020. The somewhat lower volume for 2024 compared with the previous year could be explained partially by a shift to other market segments, such as the secured market, where overnight trade volumes grew amid more competitive rates. In the 12 months under review, the underlying volumes oscillated between a high of €67 billion on 6 November 2023 and a low of €39 billion on 9 May 2024, owing to the holiday in some jurisdictions on this day (Chart 4).

As in previous years, seasonal fluctuations had an impact on the volume of transactions eligible for inclusion in the €STR, with activity somewhat lower during the holiday periods. During national holidays and around Christmas, for example, many market participants entered into transactions with longer terms to cross over the holiday period. The eligible volume was also lower at month and quarter-ends, i.e. on regulatory reporting dates, as market participants generally refrained from entering into new transactions to optimise the size of their balance sheets.

Chart 4

€STR volume and number of active banks

(left-hand scale: volume in EUR billions; right-hand scale: number of active banks)



Source: ECB calculations.

The level of participation continued to increase, with an average of 34 banks reporting eligible overnight transactions on any given day, compared with around 32 banks in the previous review period. Participation dropped around holidays, in particular during the Christmas and New Year period, Ascension Day and Whit Monday, as well as at month and quarter-ends.

Assessment of data sufficiency

€STR volumes moderated, averaging €55 billion in the period under review. Despite this, they remain above the long-term average, indicating a satisfactory level of market liquidity underpinning the rate and providing a solid basis for its day-to-day calculation.

2.3 Assessment of rate representativeness

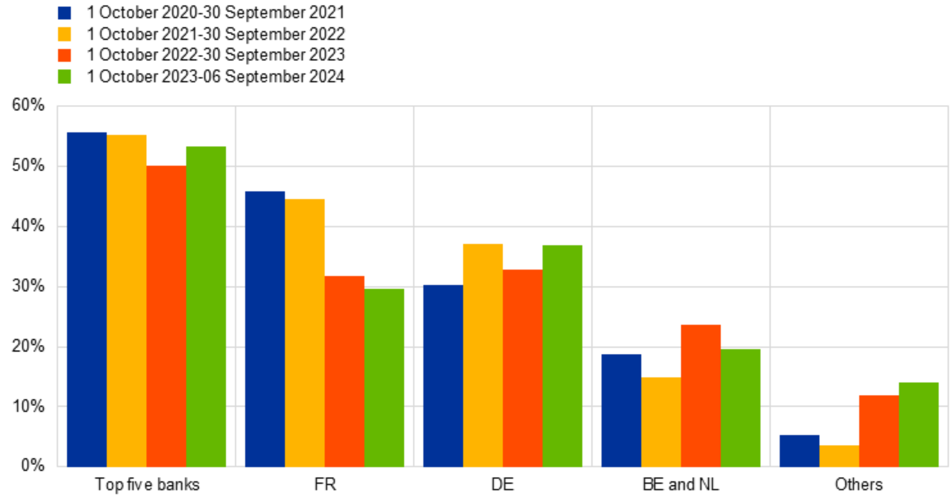
During the period under review metrics for the concentration of reporting banks and the sectors of their counterparties deteriorated slightly.

The volume share of the five banks with the largest volume of transactions increased on average to 53%, from 50% in the previous year, although it was below the levels for 2022 and 2021 (55% and 56% respectively). Concentration remained well below the 60% mark observed in the initial calibration of the methodology during the public consultations in 2018 and also the 75% threshold which would trigger a contingency computation.

The combined volume share reported by banks located in Germany and France increased slightly, to 67% from 65% in the previous review period. In the previous two reporting periods it had been 82% and 76% respectively. The aggregate share of French banks declined further, while German reporting agents were more active. The activity of Dutch and Belgian reporting agents also declined, to 20%, while the share of other countries grew during the review period (Chart 5).

Chart 5

Volume share of reporting banks by size and location

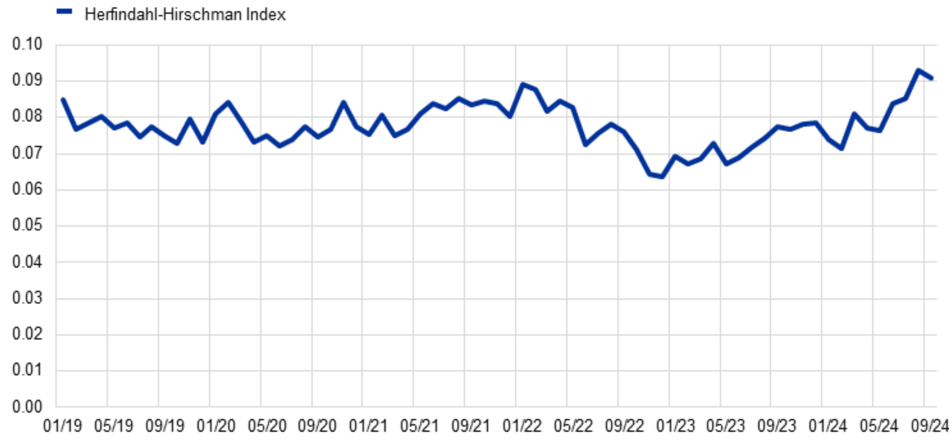


Source: ECB calculations.
Note: The share of the top five banks is based on the five banks reporting the largest volumes on each business day of the review period.

Overall, 11 different banks featured among the top five institutions in terms of volume contribution during the period under review, which was the joint lowest number since the start of €STR. In comparison, 14, 13, 11 and 16 banks were recorded in the top five during the fourth, third, second and first review periods of the €STR, respectively. The Herfindahl-Hirschman index, computed on the volume share of reporting agents since 2019, also shows that the concentration of activity increased in the review period, as the index crossed the 0.09 mark for the first time since production of the €STR started (Chart 6).

Chart 6

Reporting agent participation concentration indicator



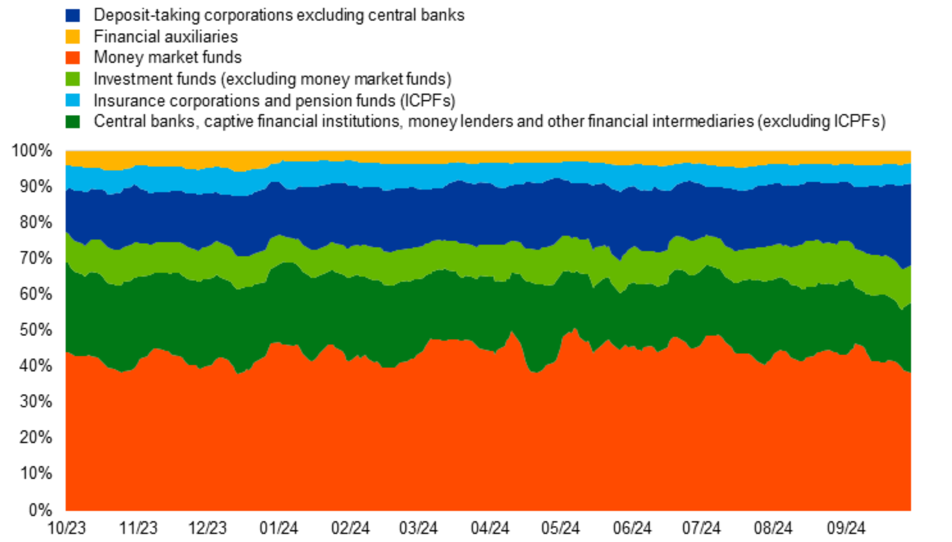
Source: ECB calculations.
Notes: The index is used to measure the concentration of activity (volume of transactions) among reporting agents. An increase in the index indicates a higher concentration of activity among fewer banks, whereas a decrease indicates the opposite.

Despite the lower volume of activity in absolute terms, the distribution of activity by counterparty sector was broadly unchanged in percentage terms. Money market funds remained by far the largest counterparty sector, generating 44% of daily activity versus 45% in the previous review period, as they continued to hold significant cash buffers overnight with large banks (Chart 7). Interbank activity increased somewhat to 16% in the review period, from 13% in the previous period, mostly as a result of idiosyncratic developments in individual countries.

Chart 7

Breakdown of transaction volume by counterparty sector since October 2023

(five-day moving averages)



Source: ECB calculations.
Note: All borrowing transactions with a volume above €1 million (all rate types, all instrument types and all counterparty sectors).

Box
The impact on the €STR of the integration of new reporting agents in 2025

Since 1 July 2024 24 new banks have joined the institutions contributing to the MMSR data collection, on which the €STR is built.[5] The data are now collected from 69 reporting banks from 12 countries, including for the first time Luxembourg and Portugal.

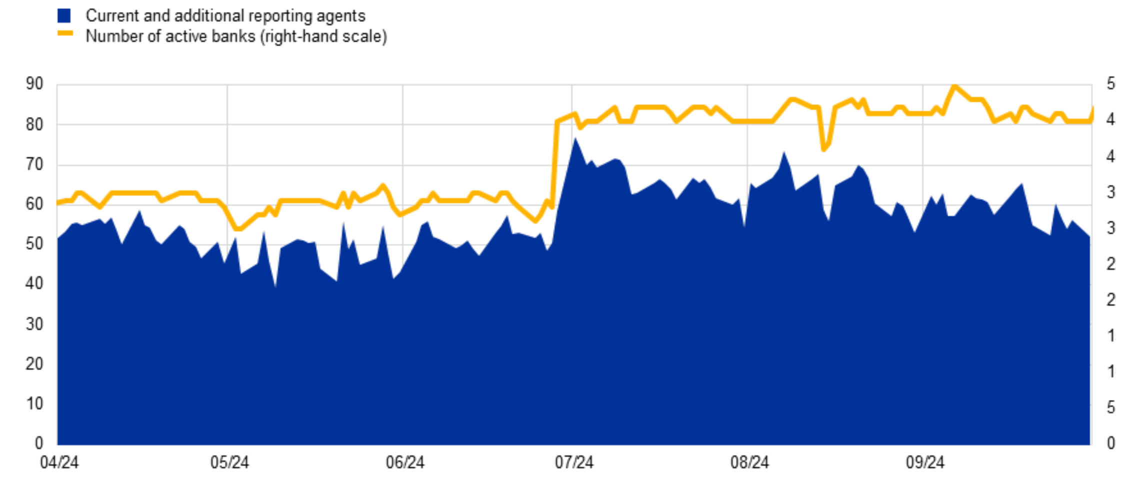
Data from the newly reporting banks are not yet integrated into the daily calculation of the €STR. The ECB, as the administrator, must first ensure that data are of sufficient quality and that the related procedures have been fully implemented. Moreover, end-users must first be informed about the expected impact of the integration of the new data.

It is also critical to assess whether the new data might affect the rate's **robustness**, **representativeness**, **behaviour** or **level**. These elements can be evaluated via a counterfactual exercise, where the €STR is retrospectively calculated using an expanded dataset, i.e. including the new reporting banks, for the period from 1 July 2024 until 30 September 2024. Key metrics obtained from this exercise are compared with those of the actual €STR under its current scope for the same period.

As regards the **rate's robustness**, the additional daily volume of eligible transactions originating from the new reporting agents is around €9 billion on average (Chart A). With the new reporters, the number of banks reporting eligible transactions for the €STR increases to 46, versus an average of 34 at present.

Chart A
€STR volume including new reporting agents

(EUR billions; number of banks)



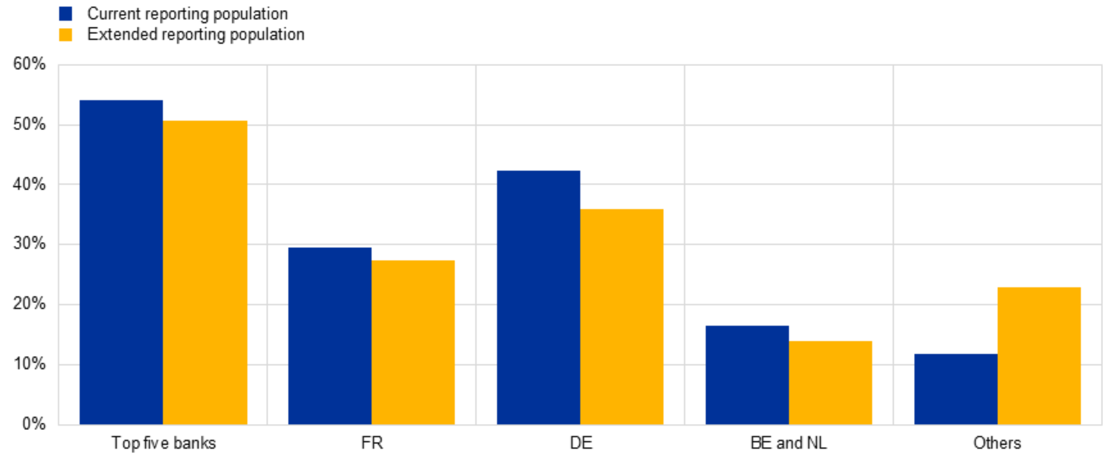
Source: ECB calculations.

5 See "Euro money market statistics and the €STR: Expansion of reporting population", *press release*, ECB, 21 April 2023.

The **representativeness** of the €STR also increases compared with the current scope thanks to the inclusion of new reporting agents from various countries. In four countries with previously only one reporting agent (Ireland, Greece, Austria and Finland), the number of reporting banks increases to two (Finland), three (Greece and Austria) or five (Ireland) in the counterfactual. In addition, Luxembourg and Portugal are added, with three banks each. This results in a more geographically diversified reporting base, as evidenced by the decline in the volume shares of countries such as Belgium, Germany, France and the Netherlands – which have a strong representation in the current scope – and the increase in the shares of other countries (Chart B). Similarly, the average number of countries with active banks increases to 12 in the counterfactual exercise, compared with 10 under the current scope, as in the absence of bank holidays over the summer banks were active in all countries.

Chart B

Volume shares of reporting banks by size and location, 1 July to 30 September 2024



Source: ECB calculations.
Note: The share of the top five banks is based on the five banks reporting the largest volumes on each business day of the review period.

Finally, the **level of the rate** in the counterfactual exercise is not materially different from its level on the basis of the current scope. The new reporting population is indeed similar in nature, as it is composed exclusively of banks, reporting using the same reporting instructions, and can therefore be expected to follow patterns similar to those of the current reporting population. The counterfactual €STR calculation results in a small change in the rate level that is within the range of its current daily volatility. Thus, assuming no changes in the future behaviour of reporting, the rate could be expected to move only slightly lower, by around 0.1-0.3 basis points. This would therefore affect the third decimal place of the published rate, which would have a limited impact for users. The counterfactual exercise also shows a stable distribution of liquidity over the first three months, and the dispersion of rates at the 25th and 75th percentiles is similar in the two samples.

Moreover, in the period covered by the exercise, similar daily rate fluctuations and the same responses to changes in policy rates are observed for the extended reporting population and the current population. The magnitude of rate fluctuations at regulatory reporting dates in the counterfactual exercise is also comparable to that of the currently published rate. Overall, the volatility of the rate using the expanded reporting population is very low and very similar to that observed for the current sample, i.e. below 0.1 basis point.

Therefore, on the basis of the exercise presented above, the forthcoming inclusion of the new MMSR banks into the €STR calculation is expected to improve the representativeness of the rate and make it more robust, without a meaningful shift in level or a change in volatility. The ECB will continue to assess the data quality of the new banks and ensure that existing procedures work well with the new reporting agents. The first publication of the €STR including the data sent by the new reporting agents can be expected to take place after 1 July 2025.

Overall assessment of rate representativeness

Large French and German banks' combined share of the transaction volume underpinning the €STR decreased somewhat in the period under review, with a slight increase in the concentration of volume among the top five banks in terms of transaction volume. These metrics nonetheless remain close to the average over the life of the €STR and are expected to improve as the MMSR population increases.

---

3 Scope

This section examines whether market liquidity has moved from unsecured overnight trades conducted by banks with financial firms using deposit instruments to sectors or maturities not currently eligible for inclusion in the €STR. If such gaps in coverage were to emerge, the ability of the €STR to adequately measure the underlying interest rate could be at risk and a reassessment of the scope might be necessary. This analysis requires a wider dataset than that underpinning the €STR, so all MMSR data for the unsecured segment are used.

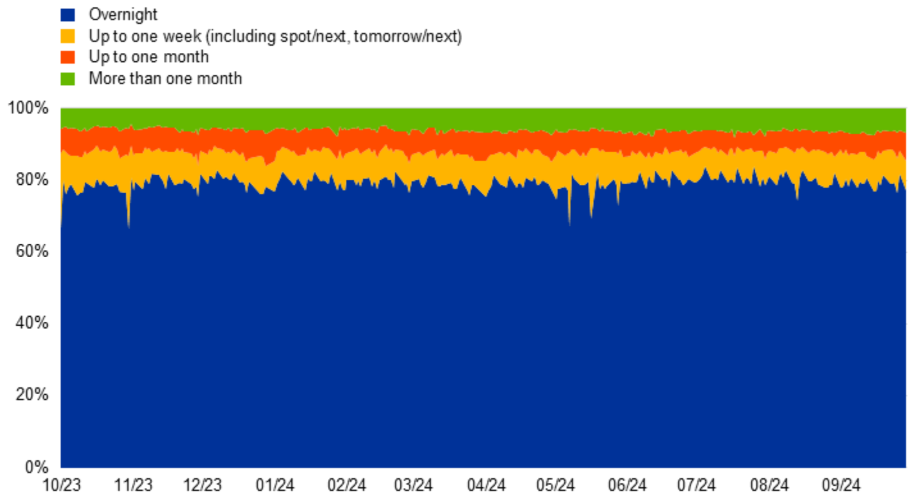
3.1 Maturity analysis

In the period under review the overnight segment's share in total liquidity for all MMSR maturities increased further, to 79% from 76% in the previous review period (Chart 8).

In absolute terms, the volume of overnight borrowing in the MMSR data averaged €173 billion in the review period, markedly higher than the €145 billion recorded in the previous review period, suggesting that the overnight segment remained the maturity of choice after the peak of the rate-hiking cycle.

Chart 8

Breakdown of volumes by maturity since 1 October 2023



Source: MMSR data.
Note: All borrowing transactions with a volume above €1 million (all rate types, all instrument types and all counterparty sectors).

Assessment of the maturity analysis

Overnight borrowing continues to represent by far the highest concentration of liquidity in the unsecured segment. This ensures that the rate is robustly based on a wide pool of daily transactions.

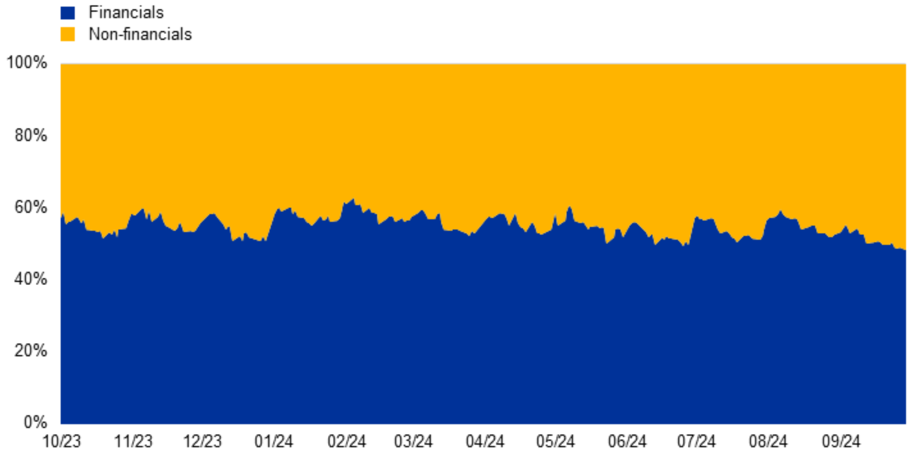
3.2 Sectoral analysis

In terms of broad counterparty sectors, the share of non-financial corporations in the overnight unsecured segment continued to increase in the period under review, rising to an average of 45% from around 39% in the previous review period (Chart 9). This increase can be largely attributed to the fact that, since the return of positive rates, large corporates have been more actively managing their liquidity. In absolute terms, overnight deposits increased for non-financial corporations and remained stable for financial counterparties.

The non-financial sector now generates almost half of the overnight unsecured turnover reported in MMSR. Despite the increasing share, the remuneration of deposits from the non-financial sector remains uncompetitive, with corporates receiving rates on average 16 basis points less favourable than those for financial counterparties. Average rates for non-financial counterparties have recently decreased, but respond less rapidly to policy rate changes than rates for financial counterparties (Chart 10). This could be explained by the fact that non-financial counterparties may be less able to arbitrage between banks for a better return. In view of the differences in pricing and in rate behaviour for these counterparties, as already considered in the 2018 public consultations, the original scope of the €STR, which excludes transactions with non-financial counterparties, remains justified.

Chart 9

Breakdown of volumes by broad counterparty sector since 1 October 2023

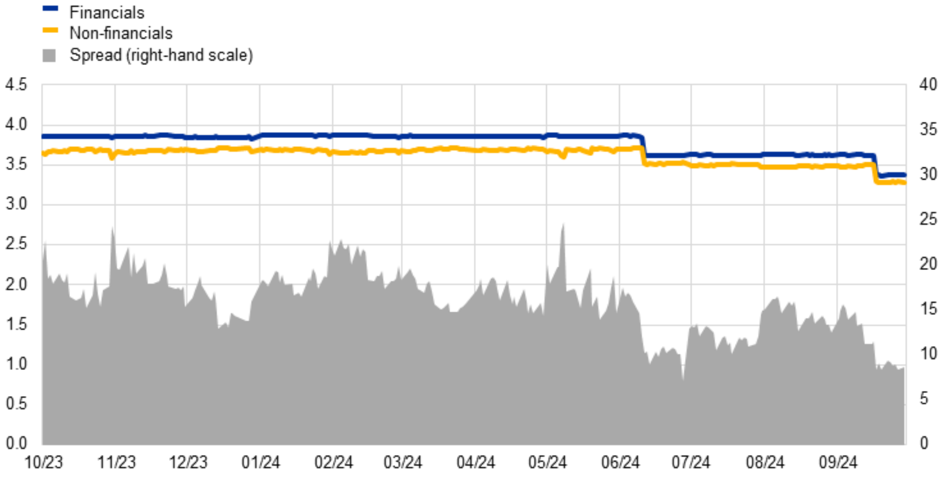


Source: MMSR data.
Note: All overnight borrowing transactions with a volume above €1 million (all instrument types, rate types and counterparty sectors).

Chart 10

Rates and spread to the deposit facility rate by broad counterparty sector since 1 October 2023

(left-hand scale: percentages; right-hand scale: basis points)



Source: MMSR data.

Assessment of the sectoral analysis

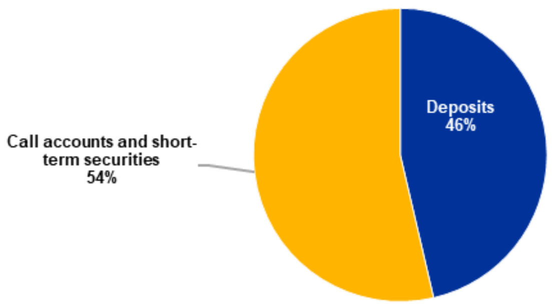
Overall, liquidity remains largely within the broad counterparty sector eligible for inclusion in the scope of the €STR.

3.3 Instrument analysis

The share of deposits in the volume of unsecured overnight transactions recorded in the MMSR data fell further in the review period, while the share of call accounts and short-term securities grew. Deposits accounted for 46% of volume, having already declined from 77% to 70% in the previous period (Chart 11). The volume of deposits declined only slightly, as some liquidity seems to have shifted from unsecured into secured markets, which offered better remuneration rates. Usage of call accounts increased, in particular for non-financial corporations, following the return to positive rates in 2022. Banks' institutional customers continue to favour deposits, as their day-to-day cash positions and limits require more flexibility than call accounts usually permit.

Chart 11

Breakdown of volumes by instrument type since 1 October 2023



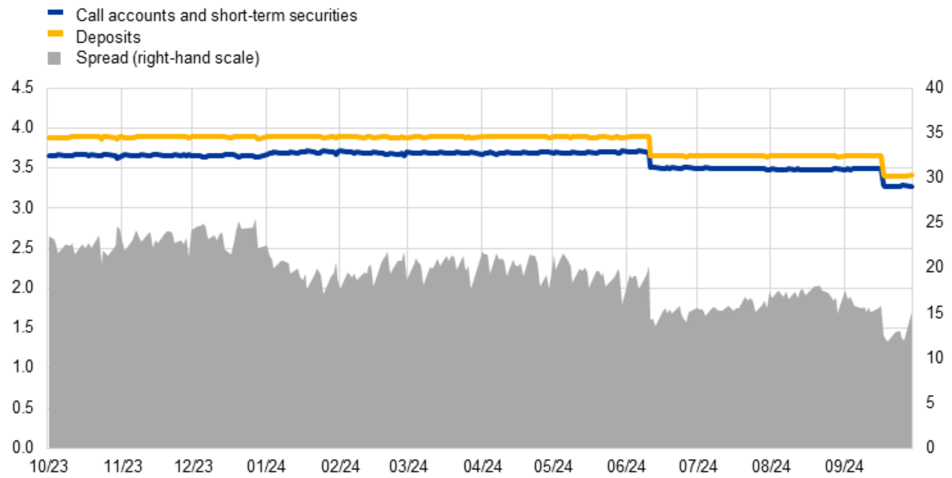
Source: MMSR data.
Notes: Overnight borrowing transactions with a volume above €1 million (all instrument types, rate types and counterparty sectors). Short-term securities include commercial paper, certificates of deposit and other securities.

The remuneration of call accounts was on average 19 basis points less favourable than that of deposits over the period under review, versus 17 basis points in the previous year, even if the spread between the two tightened somewhat from June onwards (Chart 12). Call account remuneration continued to adjust more slowly than deposit remuneration to new market conditions, for example when the ECB lowered interest rates.

Chart 12

Interest rate by instrument type since 1 October 2023

(left-hand scale: percentages; right-hand scale: basis points)



Source: MMSR data.
Notes: All overnight borrowing transactions with a volume above €1 million (all instrument types, rate types and counterparty sectors). Short-term securities include commercial paper, certificates of deposit and other securities.

Assessment of the instrument analysis

Liquidity in instruments that fall outside the scope of the €STR increased in the period under review, yet €STR-eligible activity remained largely stable, ensuring that the rate remains anchored by robust underlying activity. The increasing activity of non-financial corporations and the increasing share of call accounts in transaction volume will continue to be monitored. However, at this stage the pricing of call accounts and deposits for non-financial corporations, which is stickier, more idiosyncratic and less competitive, justifies their exclusion from the €STR calculation.

3.4 General assessment of scope

The €STR scope remains appropriate. In particular:

- liquidity remains abundant in the overnight segment;
- liquidity remains ample among the counterparties and instruments initially identified as being the most active and appropriate;
- pricing dynamics continue to justify the exclusion of instruments other than deposits and counterparty sectors other than financial institutions.

4 Parameter calibration

The review of the calculation parameters covers (i) the symmetric 25% trimming level applied in the daily calculation of the €STR, and (ii) the data sufficiency thresholds (contingency thresholds), which determine whether the standard or contingency method for calculation is applied.

4.1 Testing the 25% trimming level

Trimming is one of the key features of the methodology. It is a way of limiting volatility stemming from idiosyncratic factors. At the time the methodology was devised, a symmetric trimming of 25% was deemed appropriate.

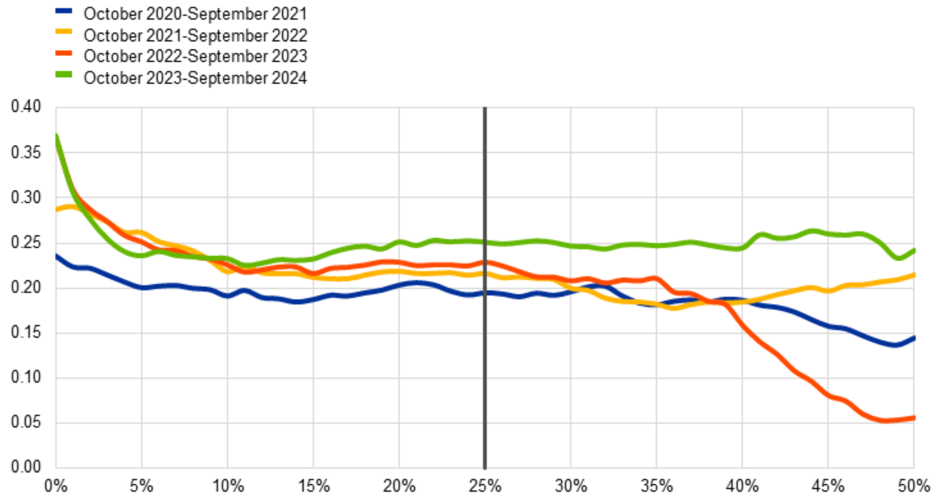
The impact of the trimming level on volatility was retested using €STR data for the 12 months starting from 1 October 2023. The level shifts resulting from the ECB policy rate changes were filtered out, as otherwise volatility levels would have been artificially high. Compared with the findings for the previous years, the data suggest that in view of the less dispersed underlying transaction rates, the trimming has a smaller impact on the overall rate volatility. The rate volatility remains contained and stable overall irrespective of the choice of trimming level, as long as it is above 5%. In the absence of trimming (i.e. with a trimming level of 0%) the benchmark's volatility in the review period would have been almost double that of 2021. The level of volatility is relatively similar at trimming levels between 10% and 40%, as are the rate's level and behaviour. At this juncture, it does not appear beneficial to reduce the trimming level – e.g. to 10% – since this could expose the rate to more to idiosyncratic volatility factors.

The trimming level will continue to be monitored closely in the context of the annual methodology reviews. In the current market, which is marked by high levels of excess liquidity, the symmetric trimming of 25% appears adequate as it continues to take out any outliers that might be of an idiosyncratic nature, while avoiding an artificial suppression of market volatility (Chart 13).

Chart 13

Rate volatility according to trimming levels

(x-axis: trimming level; y-axis: average absolute day-to-day rate changes in basis points).



Sources: MMSR data and ECB calculations.
Notes: The chart shows day-to-day rate volatility for different levels of trimming. The black bar indicates the current trimming level (25%).

Assessment of the trimming level

The 25% trimming level remains adequate for the time being, and will continue to be monitored carefully.

4.2 Testing the contingency thresholds

The contingency policy aims to ensure the continuity of the publication of the €STR when (a) there are not enough banks sending data (i.e. fewer than 20), or (b) the share of the largest contributors goes beyond a certain level (five banks represent 75% or more of turnover). These safeguards protect the rate from the risk of bias in the event of insufficient data, while being agnostic as to the source of data insufficiency and/or excessive concentration. Data insufficiency can be caused either by a genuine lack of market activity or by technical incidents preventing a sufficient data feed.

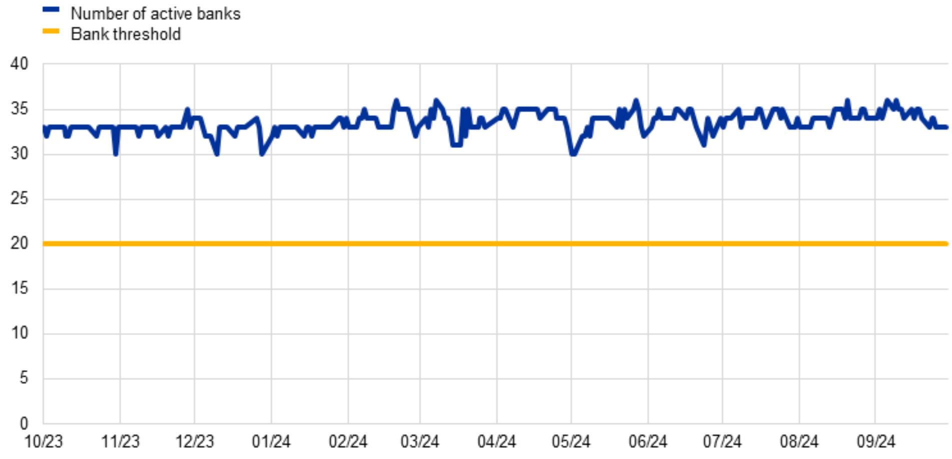
In the review period the average number of active banks rose from 32 to 34. For the first time since the start of the €STR the number of banks did not fall below 30 even during holiday periods and at month and quarter-ends (Chart 14, upper panel).

The concentration metric for the top five banks remained significantly below the 75% threshold and hovered at around 53%, compared with around 50% in the previous review period (Chart 14, lower panel).

Chart 14

Contingency monitoring

a) Number of active banks



b) Volume share of top five banks

Source: ECB.

Table 1

Activity metrics

Measure	1 October 2022-30 September 2023	1 October 2023-30 September 2024
Average number of banks	32	34
Lowest number of banks	21	30
Average number of countries	9	10
Lowest number of countries	5	7
Average number of transactions	683	696
Lowest number of transactions	261	394
Average daily volume (EUR billions)	62.1	55.1
Lowest daily volume (EUR billions)	21.9	39.2

Source: MMSR data.

Overall, the metrics show the robustness of the market activity on which the measurement of the underlying interest rates is built. In the review period the higher number of transactions and reporting banks and increased volumes, along with an acceptable level of concentration, clearly formed the basis for a robust rate. Changes in the contingency parameters do not therefore seem warranted (Table 1).

Assessment of the contingency parameters

The contingency parameters continue to provide adequate safeguards against scenarios in which there are insufficient data to calculate the €STR. They are adequate in the current market circumstances, where shifts in market participation are to be expected, especially around holidays and reporting dates. They will therefore be left unchanged and continue to be monitored.

5 Overall assessment

The assessment presented in this report demonstrates that the €STR continues to provide an accurate reflection of short-term wholesale unsecured bank borrowing costs. The rate is consistently backed by sufficient market activity, which ensures that it remains a representative and unbiased measure of the very short-term borrowing costs of the reporting banks. Given that it captured all relevant market liquidity in money market statistical reporting in the year under review, the scope remains adequate for calculating the rate. Looking ahead, the increasing market activity outside the scope of €STR will continue to be monitored. The contingency thresholds remain commensurate to the daily changes in market participation and have proven to be an adequate safeguard for representative and unbiased rate calculation. Lastly, the level of trimming applied in the calculation contributes to the avoidance of undue volatility by helping to prevent idiosyncratic factors from affecting the rate level. The trimming level of 25% will continue to be monitored carefully.

These findings enable the administrator to conclude that changes to the €STR methodology are not warranted at this juncture.

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

For specific terminology please refer to the ECB glossary (available in English only).

PDF ISBN 978-92-899-6961-1, ISSN 2811-6828, doi:10.2866/6880861, QB-01-24-059-EN-N
HTML ISBN 978-92-899-6960-4, ISSN 2811-6828, doi:10.2866/4991549, QB-01-24-059-EN-Q