



Briefing Paper on the planned changes to the ECB Foreign Exchange Reference Rates

23 June 2016

Introduction

In December 2015 the ECB [announced](#) changes to the publication and the use of ECB foreign exchange reference rates. With these changes the ECB wishes to curb manipulation of the ECB reference rates and to return to the original 'for information' purpose of the rates by lowering as much as possible the volume of transactions. These changes will impact corporate treasurers and non-financial companies, as currently the ECB reference rates are widely used by non-financial companies both for transaction and information purposes (in contractual obligations, internal transactions etc.)

Summary of changes

The ECB has announced that the following changes to the current system of FX reference rates will take place **as of 1 July 2016**:

- **Publication time:** the publication will be **delayed from the current 14.30 to 16.00 CET**
- **Purposes of use:** the ECB wishes to emphasize the 'for information only' character of the reference rates, and **strongly discourages their use for transactions purposes**. The ECB will be monitoring the transaction activity and could further delay the publication of the rates (eventually to the next day) if important transaction activity is seen.
- **The methodology** for calculating the reference rates remains the same, i.e. a point-in-time snapshot

Points of consideration for treasurers

- **Alternatives** to the ECB reference rates are offered by commercial providers. The treasury community expressed their concerns to the ECB concerning the fact that initially none of the alternatives were completely free of charge for end-users, which would have hindered in particular smaller companies' access to the reference rates. The ECB has held discussions with commercial providers, and at the moment the following are provided free of charge:
 - WM Reuters makes available the same currency pairs as the ECB at 14.30 CET [here](#)
 - Bloomberg offers a free fixing at [here](#)

- **Legacy contracts** are not meant to be in scope of these changes, however we are aware that banks are pushing for amending even existing contracts
- Use of the ECB reference rates for corporates' non-transaction related activity, such as accounting and inter-company valuation will be able to continue, however the publication of the reference rates only at 16 CET can be problematic amongst others for intra-group operations due to internal cut-off times