

Date: May 4, 2021

Nibor - Annual Review of Methodology concluded

Nibor Oversight Committee has finalized its first annual review of the Nibor Framework, including the Nibor Methodology. The Committee determined that the current methodology continues to be suitable for its intended purpose and that no amendments to the Nibor Framework are necessary. Following the review NoRe has adopted a clarifying addition to the Nibor Panel Bank Code of Conduct and decided to introduce a Nibor Transparency Statement. Information on these items will follow in later newsletters.

Yearly review of the Nibor Framework

The EU Benchmarks Regulation (BMR) is part of the EEA Agreement and was incorporated in Norwegian law in December 2019. Norske Finansielle Referanser AS (NoRe) is authorised by the Norwegian Financial Supervisory Authority, Finanstilsynet, to be administrator of the Norwegian Interbank Offered Rate (Nibor) pursuant to BMR article 34.

BMR requires an administrator to review its framework regularly. In particular, the benchmark's definition and methodology shall be reviewed at least annually. The BMR requirements have been incorporated in NoRe's Nibor Framework. The review of the Nibor definition and methodology is governed by the Nibor Review Policy, which is published on NoRe's website under [The Nibor Framework](#). The responsibility for the review lies with the Nibor Oversight Committee.

The first annual review

The current Nibor Framework went into force 1 January 2020. The Nibor Oversight Committee initiated its first yearly review in its meeting 7 December 2020 and concluded its assessments in its meeting 8 March 2021. In the meeting in December the Committee assessed the content of most of the general Nibor framework documents to be reviewed yearly. In the meeting in March the Committee carried out the final phase of the review, including the assessment of the Nibor methodology following the process outlined in the Nibor Review Policy. Summaries of the Nibor Oversight Committee meeting minutes are published on NoRe's website.

As background for its assessment, the Committee carried out its regular early evaluation of Nibor and NoRe as administrator through the previous year based on reports from the NoRe Administration, GRSS as calculation agent for Nibor, and the NoRe Compliance Officer. In addition, the Committee was provided with information about the size of the market Nibor is intended to reflect, experiences so far with the waterfall methodology, pre- and post-fixing controls and assessments based on the information received from the Nibor Panel Banks on input data to their daily calculations of contributions to Nibor.

As background for finalizing the yearly review of the overall Nibor framework, the Committee was also presented for NoRe Compliance Officer's first internal audit of the Nibor Framework, which had not identified any need for changes in the framework.

Nibor Oversight Committee assessments and conclusions

The Nibor Oversight Committee assessed the information provided to and between meetings by the administration as comprehensive and sufficient for the Committee's assessment under the applicable laws and regulations for the year 2020. The reporting has allowed the Committee to keep constantly updated as to the relevant market and rate developments. The documentation includes the satisfactory reporting from the NoRe compliance function.

The Covid-19 situation impacted all financial markets, and thus also Nibor. Still, the Committee noted with satisfaction that the panel banks have contributed to an orderly fixing of the Nibor rates every business day of 2020. Large movements in the liquidity in the money markets caused a larger variation in the Nibor rates vs. the Central Bank's signalling rate spreads. In general, the Norwegian government's financing of Covid-19-related policies also impacted the NOK money market.

The rates for the Nibor tenors did not show any suspicious developments and reinforced the impression of a robust regime around the setting of the rates. The administrator with support from the calculation agent, GRSS, have assessed panel banks' contributions and consistency of the Nibor rates with USD and EUR rates and related fx forwards. None of these assessments have revealed any reasons for concern, nor have any complaints been received. NoRe Compliance Officer has confirmed the assessment of adequate control activities.

The Nibor Oversight Committee determined that the current Nibor methodology continues to be suitable for its intended purpose. The Committee found no need to adjust the content of the Nibor framework documents now. The Committee concluded that Nibor has been well managed during 2020 and that the yearly review was concluded.

The NoRe Board took in its meeting 16 April 2021 note of the information about the Nibor Oversight Committee's finalization of the first annual review of the Nibor framework and its conclusions.

Review follow up

Following the first review of the Nibor framework two distinct topics is to be followed up. First, the NoRe Board has adopted an addition to Nibor Panel Bank Code of Conduct Clause 4.5, about control functions connected to input data. The rationale behind this addition is to align the wording in the Nibor Code of Conduct better with the relevant BMR requirements and thus avoiding confusion. Date for the application of the amendment is still not set.

Second, NoRe will start publishing a "Transparency Statement". The purpose of the new publication is to provide users of Nibor with illustrative information on what kind of data the fixings of Nibor have been based on.

More information on these items will be provided in later newsletters.

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