

# Review of PRIBOR Tenors Summary of Stakeholder Response

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## 1 Executive Summary

On June 7<sup>th</sup>, 2023, the Czech Financial Benchmark Facility (CFBF) launched a public consultation on the review of PRIBOR tenors to start a discussion and collect stakeholder feedback considering the possible cessation of some less active tenors, notably the 2 Months and 9 Months tenors.

CFBF received 11 responses out of which 2 requested to remain anonymous (see list of respondents at the end of this document).

In general, the respondents were mostly supportive of the proposed review of PRIBOR tenors with some exceptions. The majority of respondents agree that 2 Months and 9 Months tenors are not actively used and that their cessation would not have any significant negative impact on their operations or on the market, with a notable exception of one respondent who voiced their concerns about the impact on their operation and market credibility in general. However, most respondents also do not believe that the potential cessation of the two tenors would affect the robustness and reliability of the PRIBOR benchmark, either positively or negatively.

## 2 Responses to Individual Questions

### 2.1 Question 1 – Reasoning for cessation of 2 and 9 months tenors

**Question 1:** Would you agree that 2 Months and 9 Months tenors are not often used by market participants and suffer from lower liquidity compared to other tenors? If the answer is negative, could you provide an example of how these tenors are regularly used?

Response	No. of respondents
No answer	3
Clear agreement & no or minor comments	7
Clear disagreement	1

Three respondents did not provide an answer to this question.

Seven respondents agree that the 2 Months and 9 Months tenors suffer from lower liquidity and are less frequently used, some adding that in the few cases where the tenors are used (e.g. construction of evaluation curves) they could be replaced.

One respondent agrees that some PRIBOR tenors, 2 Months and 9 Months included, suffer from lower liquidity especially in the interbank market, but they disagree with the claim that the tenors in question are not being used, providing an example that they are used for credit products for clients, FRA pricing, and for FX Swaps and FX Forwards.

## 2.2 Question 2 – Impact of the cessation on operations

**Question 2:** Would cessation of 2 Months and 9 Months tenors negatively affect your operation? If the answer is positive, please specify how you would be affected.

Response	No. of respondents
No answer	3
No or minimal impact	7
Significant negative impact	1

Three respondents did not provide an answer to this question.

Seven respondents answered that the cessation of 2 Months and 9 Months tenors would have minimal or no impact on their operation, mostly stating that the tenors are not used.

One respondent answered that cessation of 2 Months or 9 Months tenors would impact their operations. As all existing PRIBOR tenors have been offered to their clients to select and use in their loan agreements with a possibility of floating rates, cessation of any of tenors, would result in a necessity to re-contract or supplement these types of contracts.

## 2.3 Question 3 – Timeline and notice period

**Question 3:** If calculation and publication of any PRIBOR tenors were to be discontinued, would you consider a 6-month notice period to be sufficient, or would you require longer notice period?

Response	No. of responses
No answer	3
Sufficient period & no or minor comment	6
Different period proposed	2

Three respondents did not provide an answer to this question. One of those provided an answer and a comment that were out of the scope of this consultation.

Six respondents agree that 6-month notice period is sufficient for this kind of a change.

Two respondents believe that change of this kind would require a longer notice period, one stating that between 9 and 12 months would be required and the other that a notice period of at least 12 months would be required.

## 2.4 Question 4 – Cessation of other tenors

**Question 4:** Do you believe that there is any reason for cessation of other PRIBOR tenors than those specifically discussed in this paper i.e., other than 2 Months and 9 Months? If the answer is positive, could you specify which tenors and why?

Response	No. of responses
No answer	3
Negative answer & no or minor comment	6
Negative answer & significant comment	1
Positive answer	1

Three respondents did not provide an answer to this question. One of those provided an answer and a comment that were out of the scope of this consultation.

Six respondents answered that they believe no other than the proposed tenors should be discontinued, mostly commenting that they are being actively used.

One respondent's view is that no PRIBOR tenors should be discontinued.

One respondent, however, proposed the cessation of 1 Week tenor for the same reasons as 2 Months and 9 Months adding that Overnight and 2 Weeks tenors sufficiently cover the short end of the curve.

## 2.5 Question 5 – Impact of the cessation on benchmark credibility

**Question 5:** Taking into consideration all of the above questions, do you think that the removal of 2 Months and 9 Months (and possible other based on reply to Question 4) would increase the robustness and reliability of the PRIBOR benchmark, reduce the robustness and reliability or would not have any impact on the robustness and reliability of the benchmark?

Response	No. of respondents
No answer	2
No impact	6
Positive impact	2
Negative impact	1

Two respondents did not provide an answer to this question.

Six respondents believe that the cessation of 2 Months and 9 Months tenors would not have any impact on the robustness and reliability of the PRIBOR benchmark.

Two respondents claim that cessation of less liquid and less used tenors might have a positive effect on the robustness and reliability of the PRIBOR benchmark.

One respondent expressed concerns that cessation of any tenors would negatively impact the PRIBOR benchmark and would lead to decrease of its credibility and transparency.

## 3 CFBF Position and Outcome

Based on the feedback from stakeholders, CFBF is comfortable moving forward with the reduction of number of PRIBOR tenors. Majority of the respondents

confirmed the assumption concerning the importance and usage of 2 Months and 9 Months tenors and the advantages of discontinuation of less used tenors. All responses highlighting difficulties connected with the discontinuation of PRIBOR tenors are taken very seriously, and upon careful consideration and following a discussion during the Oversight Committee meeting, CFBF is of the opinion that most of the potential negative impact of discontinuation of PRIBOR tenors can be mitigated provided sufficient time is given to the stakeholders and market in general to adjust to the changes, resulting in the modification of the notice period for the change from 6 Months to 12 Months or longer.

Taking into consideration feedback from stakeholders and PRIBOR Oversight Committee recommendations, CFBF Board has approved the motion to discontinue 2 Months and 9 Months tenors.

The timeframe for the cessation of 2 Months and 9 Months tenors is set to 1<sup>st</sup> quarter of 2025, with exact date being specified in the near future.

## 4 List of Respondents

CFBF received 11 responses to the Consultation Paper on Review of PRIBOR tenors, below is list of 9 respondents who did not request anonymity:

- AKAT ČR (Asociace pro kapitálový trh České Republiky)
- Bloomberg
- Bank of America
- Česká spořitelna, a.s.
- Banka CREDITAS, a.s.
- Československá obchodní banka, a.s
- European Bank for Reconstruction and Development
- Komerční banka, a.s.
- Raiffaisenbank, a.s.