

Invitation to join sub-groups working on an alternative reference rate for the Norwegian krone

A working group on alternative Norwegian krone reference rates was established by Norges Bank, in consultation with the financial industry, in early 2018. The working group comprises representatives of Norwegian banks and branches of foreign banks with thorough knowledge of the Norwegian interest rate market and the use of Norwegian reference rates.

The first part of the group's work has focused on recommending a reference rate for the Norwegian krone. The working group published its recommendation of a reformed version of Nowa as the alternative reference rate at the end of September 2019. Nowa stands for Norwegian overnight weighted average and is the only overnight NOK rate. The rate is to be reformed when Norges Bank becomes the administrator on 1 January 2020, but is likely to be very similar to today's Nowa.

The work on alternative reference rates is now moving into the next phase and will focus on how to transition to using Nowa as an alternative reference rate. In this part, there will be a need to invite more market participants into the work. A broad range of market participants, end-users of reference rates and public supervisors will ensure that different interests are safeguarded.

A proposed division of the work into three sub-groups is outlined below:

(1) Fallback solutions in contracts referencing Nibor

The purpose of the sub-group is to recommend fallback solutions for different types of financial contract and identify what would trigger the use of fallbacks in contracts referencing Nibor.

(2) Market standards for financial contracts referencing Nowa

The purpose of the sub-group is to recommend market standards for different financial contracts referencing Nowa (including derivatives, bonds, loan contracts, etc.).

(3) Exploring a Norwegian krone OIS (overnight indexed swap) market

The purpose of the sub-group is to explore the need for and the possibility of establishing a Norwegian krone OIS market.

Sub-group 1 and 2 must be seen in context and there will be a need for coordination to ensure common solutions. It may therefore be appropriate to have some common members in these groups. The next phase of the work is scheduled to start in January 2020. The sub-groups will have regular meetings and will consist of members, observers and a secretariat. The current working group will act as coordinating body, and have the final responsibility for the sub-groups analysis and recommendations

For further enquiries, please contact the chair of the working group, Jørgen Gudmundsson (phone +47 951 08 957).

Market participants wishing to join one or more of the sub-groups are requested to contact the ARR secretariat by 5 December 2019 at the following email address: arr@norges-bank.no. The application should include background information and relevant experience. The working group will put together the subgroups after an overall assessment of the number of participants and the desired composition of the groups.