

Norges Bank's procedure in the event Nowa is discontinued

1. Norges Bank's role

Norges Bank is the administrator for Nowa (Norwegian Overnight Weighted Average) with responsibility for calculating and publishing Nowa. As administrator, Norges Bank is also responsible for drawing up principles specifying the underlying data on which Nowa is based, the definition of Nowa, the method of calculation, the routines for publication and a procedure in the event Nowa is discontinued.

2. Discontinuation of Nowa

As administrator, Norges Bank is responsible for minimising the risk that Nowa is discontinued. This risk is minimised by ensuring that i) Nowa is based on transaction data obtained from Norges Bank's system of daily money market data reporting (RPD), ii) the principles for the calculation and publication of Nowa contain procedures in the event of insufficient transaction data or other disruptions and iii) the calculation and publication principles are regularly evaluated and discussed by the Nowa user group. It is therefore highly unlikely that a situation will arise requiring the discontinuation of Nowa. Nevertheless, Norges Bank acknowledges the importance of having a procedure in place that follows the IOSCO Principles for Financial Benchmarks¹ in the event of the possible discontinuation of Nowa.

3. Procedure

Before Norges Bank decides whether Nowa should be discontinued, the following procedure is required to be followed:

- (i) Norges Bank must assess market conditions, taking into account:
 - (a) changes in market structure, including changes in market participants' trading patterns and product preferences,
 - (b) any condition that makes Nowa no longer adequately representative of the underlying overnight market (for example because the data required to publish the rate is persistently insufficient) and that cannot be compensated for by changing the principles for the calculation of Nowa,
 - (c) changes caused by external factors beyond the control of Norges Bank, and
 - (d) any other relevant condition.

Before Norges Bank gives advice to discontinue Nowa, the Bank may consult with the Nowa user group. As a result of the above assessment of market conditions, Norges Bank may decide that Nowa will no longer be published from a given date. In such a case, Norges Bank may also introduce a plan for the transition to a new benchmark, including a fall-back Nowa rate for the market.

¹ International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>