

This translation is an unofficial version of the Nowa rules. If any conflict between this text and the Norwegian text, the latter shall prevail.

Oslo, 27.2.2019

Rules for the calculation and publication of the average interest rate on overnight lending in the Norwegian interbank market – Nowa

First adopted on 14 April 2011 by Finance Norway, entering into force on 26 September 2011. Last revised on 27 February 2019 by Finance Norway, entering into force on 1 April 2019.

1. Scope of the rules

These rules apply to the calculation and publication of the weighted average interest rate for funds lent in the Norwegian interbank market with a maturity from the current banking day to the next banking day (overnight). This interest rate is termed Nowa (the Norwegian Overnight Weighted Average).

The rules apply to banks which are associated with Finance Norway (*Finans Norge*) by virtue of membership, and to Norwegian and foreign banks and credit institutions which have adopted the rules with the approval of the Finance Norway. The rules apply irrespective of which subcontractors or assistants an individual bank employs, and member banks are accountable to the other member banks for ensuring that subcontractors and assistants follow the rules.

The rules apply between the banks mentioned above and may not be invoked by customers of the banks or other parties.

2. The underlying data and the calculation method

Nowa is defined as a weighted average of interest rates set in agreements concluded by banks, either directly or via a broker, for unsecured loans in NOK, where the loan is paid out on the same day and repayment occurs on the following banking day. Internal group contracts and contracts with Norges Bank are not included. Nowa is calculated on all Norwegian banking days.

Each Nowa panel bank shall report to Norges Bank daily, regardless of whether the bank has lent in the interbank market overnight or not. Panel banks that have lent overnight shall report the amount lent totally and the average interest rate on these loans, weighted

in accordance with the size of the individual loan. Loans smaller than NOK 25 million may be excluded from the calculations. The average interest rate shall be specified to three decimal places. Reported interest rates shall be calculated as nominal annual rates for the actual number of days in the year ahead (365 or 366)¹. Panel banks that have not lent shall report an estimate of the interest rate at which they would be willing to lend. Reporting to Norges Bank shall take place 5 minutes before the time of closure of Norges Bank's settlement system, and 5 minutes after at the latest.² Panel banks not able to provide such an estimate to Norges Bank shall document the rationale for this. Detailed reporting rules and the reporting method will be issued jointly by Norges Bank and Finance Norway. Panel banks may, if necessary, come to an agreement with Norges Bank on the use of an alternative method.

Nowa is calculated by Norges Bank as an average of the reported interest rates, weighted by the corresponding turnover figures. Norges Bank calculates Nowa when data is available from at least three banks and the total reported turnover is at least NOK 250 million. Nowa shall be specified to two decimal places.

If the conditions for the calculation of Nowa (see previous paragraph), are not fulfilled, Nowa shall be estimated. The basis for estimating Nowa are the figures from actual loan supplemented with estimates from the panel banks. Norges Bank will base this calculation of the estimated Nowa on figures from the panel banks which have reported the largest turnovers to Norges Bank over the last five banking days, so that there is data from a total of six banks as basis for the estimate of Nowa. The Nowa estimate shall be the unweighted average of the submitted interest-rate estimates and reported rates.

If there are particular reasons for doing so, Norges Bank may make exceptions from the rules on calculating and estimating Nowa. This may be necessary, for example, if reports are discovered to be misleading. Exceptions and the reasons for them shall be documented and subsequently submitted to the steering group (see section 5). The steering group may decide that a calculation or estimate is to be redone.

3. Publication

Norges Bank shall publish Nowa as soon as the calculations are completed, and at the latest 25 minutes after Norges Bank's settlement system closes. If Nowa is estimated (see section 2), this shall be stated at the time of publication. Finance Norway's administration may approve publication also of daily aggregate turnover.

The panel banks, Norges Bank and Finance Norway shall bear no liability for the correctness of the published interest rates or turnover. If errors in the published data are

¹ The percentage return over the term is calculated by dividing the interest rate by the actual number of days in the year ahead and multiplying it by the actual number of days to maturity.

² As of February 2019 Norges Bank's settlements system closes at 4.35 pm.

discovered after publication, Norges Bank shall be informed. Norges Bank will correct the error and publish the corrected rate.

Finance Norway shall ensure that the method for calculating Nowa and a list of the banks which are panel banks at any given time (see section 4) are publicly available.

4. Nowa panel banks

The requirements admission to the Nowa panel bank are that the bank in question is active in the Norwegian interbank market and that it regularly offers unsecured loans in NOK on this market. The panel banks undertake to report traded turnover and interest-rate figures or estimated Nowa rate, as specified in section 2 on a daily basis.

Banks may apply to Finance Norway for admission to the Nowa panel. If the steering group (see section 5) concludes that a bank satisfies the requirements, the bank shall be granted a trial period of three months. During the trial period, the bank is required to comply with the obligations of the panel banks. However, the bank's reported rates will not be included in the calculation of Nowa. The decision regarding approval as a Nowa panel bank is made by Finance Norway.

A bank may leave the Nowa panel upon giving one month's written notice to Finance Norway. Any re-admission to the panel shall be dealt with as a new admission application. The steering group may, if well founded reasons are provided, permit a temporary withdrawal from the panel.

Approval as a Nowa panel bank may be withdrawn if the bank no longer satisfies the requirements or meets the obligations imposed on the panel banks. A decision to withdraw approval shall be made by Finance Norway on the recommendation of the steering group. A panel bank will be suspended from the panel with immediate effect if it becomes subject to public administration or other insolvency proceedings.

5. The Nowa steering group

A steering group shall be established to undertake the practical follow-up of the development and implementation of these rules. The Nowa steering group shall comprise representatives from the Nowa panel banks and shall have at least three members. A panel bank shall be entitled, but not obliged, to be represented in the steering group.

The Nowa steering group shall:

- as necessary, set detailed criteria for the practical implementation of these rules;
- evaluate on an ongoing basis whether the rules are appropriate and assess the underlying data for Nowa;
- monitor compliance with the rules, including evaluating the panel banks' contributions to Nowa;

- evaluate applications for inclusion as a Nowa panel bank, and make recommendations;
- evaluate breaches of the rules, and make recommendations concerning the withdrawal of approval as a Nowa panel bank; and
- perform any other tasks assigned to the steering group under these rules.

The steering group shall meet as required, at least once a year. Individual cases may be dealt with in writing provided that the whole steering group consents to this. Norges Bank shall be invited to be represented by a permanent observer. The steering group may invite other observers as necessary. Observers shall not attend discussions concerning the participation of individual banks as panel banks. The recommendations of the steering group shall detail any objections made to the steering group's conclusions. The members of the steering group shall maintain confidentiality with regard to matters concerning individual banks.

Secretariat services will be provided by Finance Norway.

6. Agreement with Norges Bank

Finance Norway shall conclude an agreement with Norges Bank concerning the tasks which Norges Bank undertakes in connection with the calculation of Nowa and the matters discussed in section 3, as well as Norges Bank's participation in the steering group as an observer and the conditions applicable to the use and publication of the data which the banks report to Norges Bank.

7. Dispute resolution

If a dispute between Nowa panel banks arises about the interpretation or application of these rules, a bank may submit the matter to Finance Norway for a statement or decision.

8. Entry into force

Changes adopted 27 February 2019 and enter into force on 1 April 2019.