

Date: 30 April 2024

### **4<sup>th</sup> annual review of the Nibor Framework concluded**

*NoRe has finalised its annual review of the Nibor Framework. This review encompasses both the Nibor calculation methodology and the documents governing Nibor and NoRe's activities as administrator for Nibor. The current calculation methodology has again been considered suitable for its intended purpose. No changes have been made in policies or procedures that affect entities other than NoRe.*

#### **Yearly review of the Nibor Framework**

Norske Finansielle Referanser AS (NoRe) is authorised by the Norwegian Financial Supervisory Authority as administrator of Nibor (Norwegian Interbank Offered Rate) pursuant to BMR<sup>1</sup> article 34. Nibor has been recognized as a critical benchmark, with reference to BMR Article 20(1), point (b).

BMR requires an administrator to review its framework regularly. In particular, the benchmark's definition and methodology shall be reviewed at least annually. The Nibor Oversight Committee is responsible for this review, following the requirements in BMR Article 5.

#### **Analysis supporting the review of the methodology**

The Norwegian money market is characterised by liquidity being redistributed between the major market participants by using the currency swap market. The data which Nibor is calculated from reflects the use of currency swaps in banks' liquidity management.

As there are no alternative indices to compare Nibor directly against, NoRe has developed a set of methods for assessing the developments in Nibor and the Nibor input data. These methods span from analysing relevant market developments, domestically and internationally, to studies of each contributor's input data. The main aim is to identify factors that have had or may have effects on the development in Nibor. Analysis and tests are based on background data provided by daily data from Nibor panel banks as well as data collected from independent sources.

The shape of the yield curve, reflecting all Nibor tenors from one week to six months, is central in NoRe's analysis. The short end of this curve is particularly sensitive to near-term decisions about the central bank's policy rate and to the current supply of liquidity in the money market. The longer end of the curve is more affected by forward expectations about the policy rate and funding costs.

NoRe gives most attention to the Nibor 3- and 6-months tenors, as these tenors are most widely used as benchmarks. For back-testing these tenors NoRe calculates synthetic rates from USD and EUR interest rates and foreign currency quotes. These rates should, in theory, be affected by similar factors as Nibor, and hence imply relatively similar movements. Statistical indicators show high degree of correlation between the two set of rates.

Furthermore, to make an appraisal of the movements in the difference between the 3- og 6-month Nibor tenors, NoRe calculates an implicit 3-month forward 3-months rate. This rate is assessed against data from the Forward Rate Agreement (FRA) market. Comparisons of the developments in the rates have not revealed differences that cannot be explained by differences in the underlying markets.

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<sup>1</sup> Norway is part of the European Economic Area (EEA) which consists of the EU-countries, Iceland, Liechtenstein, and Norway. The EU Benchmarks Regulation (BMR) was implemented in the Norwegian law in 2019.

The Nibor Panel banks provide NoRe with background information on their submissions. This information is used as support for NoRe's control activity. The data are also the basis for NoRe's "Transparency model" which visualises the individual building blocks which Nibor has been based upon. The model results for the 3-month tenor is regularly published by NoRe in the Nibor Transparency Statement.

For more information about NoRe's analysis and back-testing of Nibor, please see [memo](#) published on NoRe's website and the latest version of the Nibor Transparency Statement.

### **Nibor Oversight Committee - assessments**

The Nibor Oversight Committee is kept regularly, normally weekly, updated on developments in markets relevant for Nibor. In its regular quarterly meetings, the committee is presented for information about market developments as well as the NoRe Administration's back-testing efforts. As background for the committee's annual assessment of the Nibor methodology the Committee is provided with background material focusing on how Nibor has performed throughout the last calendar year and how the NoRe administration assesses the appropriateness of the current calculation methodology.

The Nibor Oversight Committee initiated its fourth annual review 6<sup>th</sup> December 2023 and concluded its assessments 13<sup>th</sup> March 2024. In the December meeting, the Committee assessed the content of NoRe's Control and Accountability framework documents. In the March meeting, the Committee finalised its review, including the assessment of the Nibor methodology, following the process outlined in the Nibor Review Policy. The Committee acknowledged the receipt of various reports, which in combination was regarded as sufficient for the committee's yearly review. The committee concluded that Nibor had reflected the relevant market, as described in the Nibor Calculation Methodology, through 2023 and that the current Nibor benchmark methodology continues to be suitable for its intended purpose. The Committee found no need to amend any of the framework documents presented for review by the committee.

For more information about the Nibor Oversight Committee's assessments and conclusions please refer to the [summaries of committee meeting minutes](#) published on NoRe's website.

### **Finalisation of the annual review**

The NoRe Board carried out its annual review over three meetings, from December 2023 to April 2024. In its meeting 11<sup>th</sup> April, the Board ascertained that the Nibor calculation methodology is still suitable for its purpose and concluded that there are no reasons to amend the provisions embedded in the Nibor Calculation Methodology, the Nibor Post Publication Re-determination Policy or the Nibor Panel Bank Code of Conduct.

Following the NoRe Board's review of NoRe's internal policies and procedures, some changes were adopted. However, none of which affecting other entities than NoRe.

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