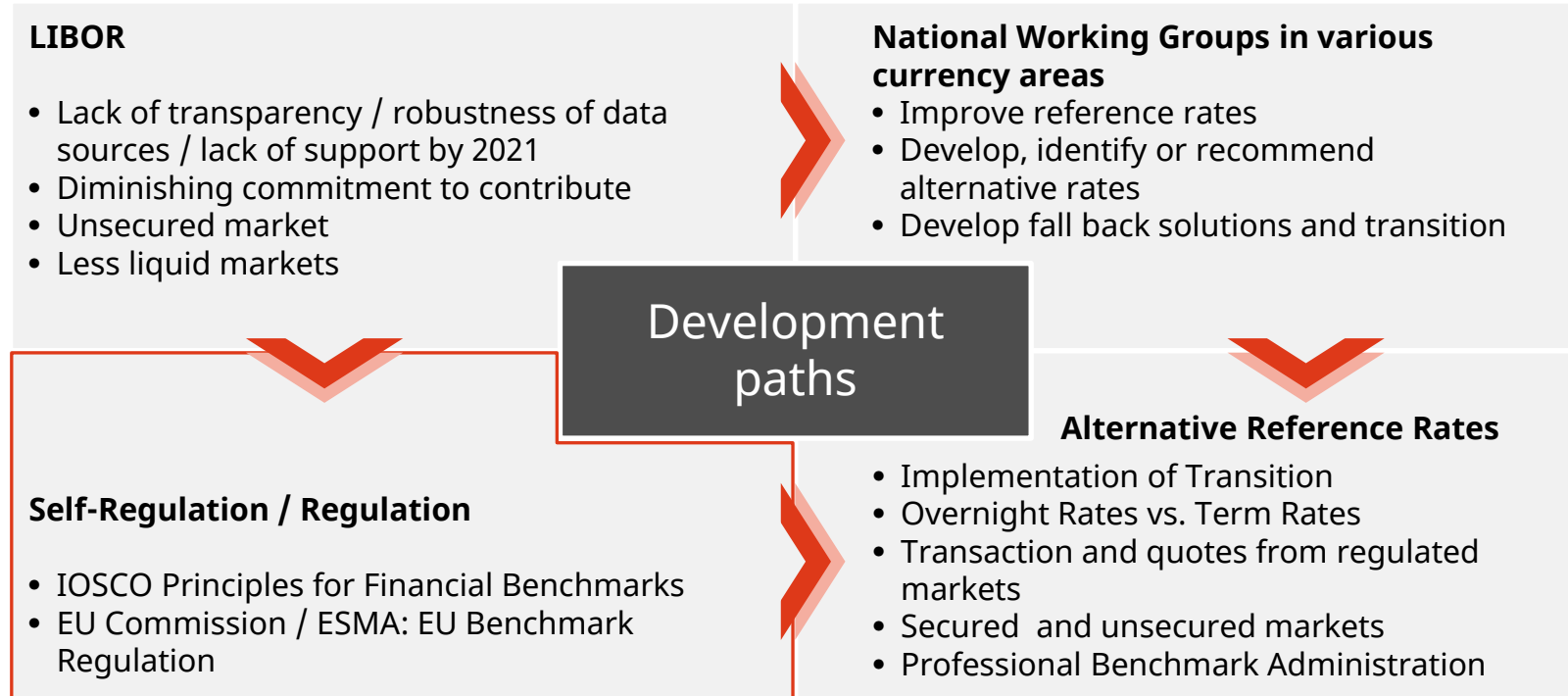




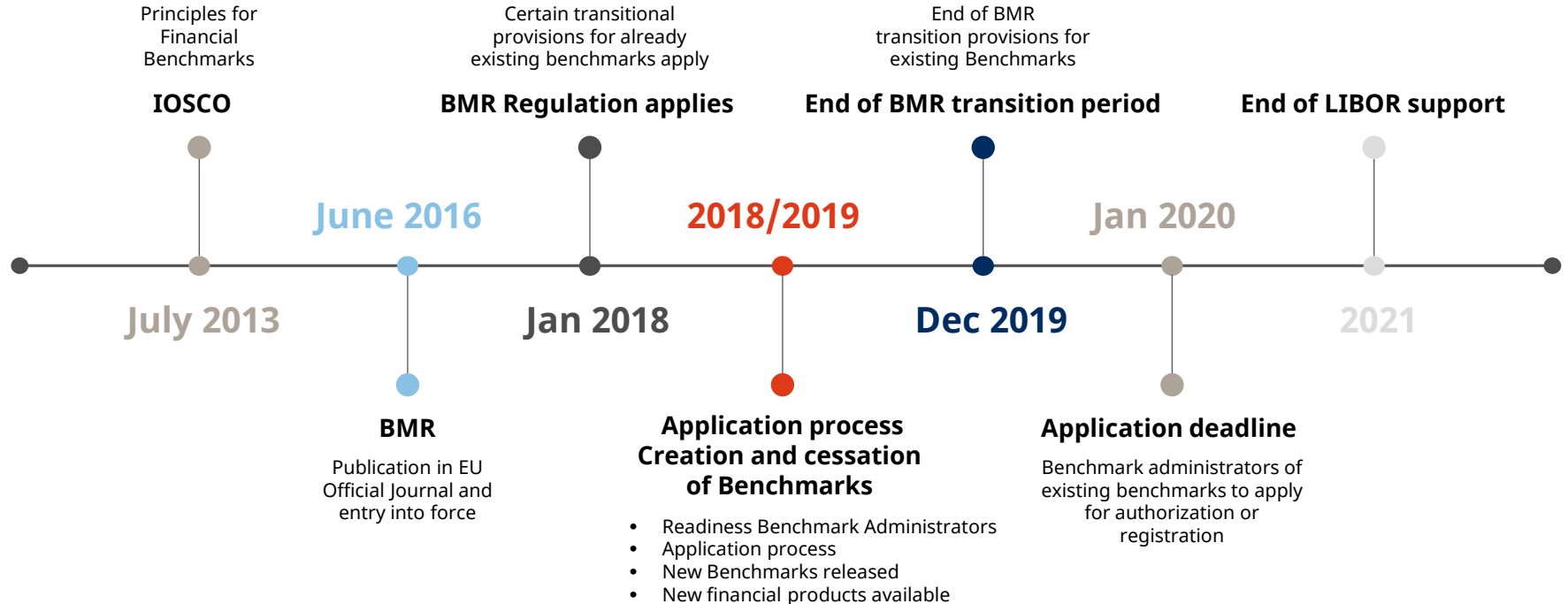
EU-Benchmark Regulation and SARON

Dr. Christian Bahr, November 2018

From LIBOR to Alternative Reference Rates: Where we are today?



Timeline – how EU BMR interacts with the LIBOR transition



What is the EU Benchmark Regulation?

- **Framework** to ensure the accuracy and integrity of **indices used as benchmarks**
- Indices are regulated as **benchmarks**, if they measure amounts payable in **financial instruments** and **financial contracts**, or the **performance of investment funds** in the EU
- The BMR requirements operate at both **Organizational** and **Benchmark** level at the Benchmark Administrator
- Regulation **by type and category**: different rules apply to benchmarks with different characteristics

Benchmark Users readiness

- Robust written plans (**falls-backs**) setting out action in the event a benchmark **materially changes** or **ceases** to exist
- Provide to competent authority on request
- Reflect in contracts with clients

Identify compliant benchmarks

- Administrator included on **ESMA's register**
- Authorized, registered or through equivalence or recognition
- Endorsed by an EU authorized administrator



Benchmark Administrators

- Types: **regulated-data**, interest rate, commodity and other financial benchmarks
- Category : critical, significant and non-significant
- Benchmark statements by family

Benchmark Users

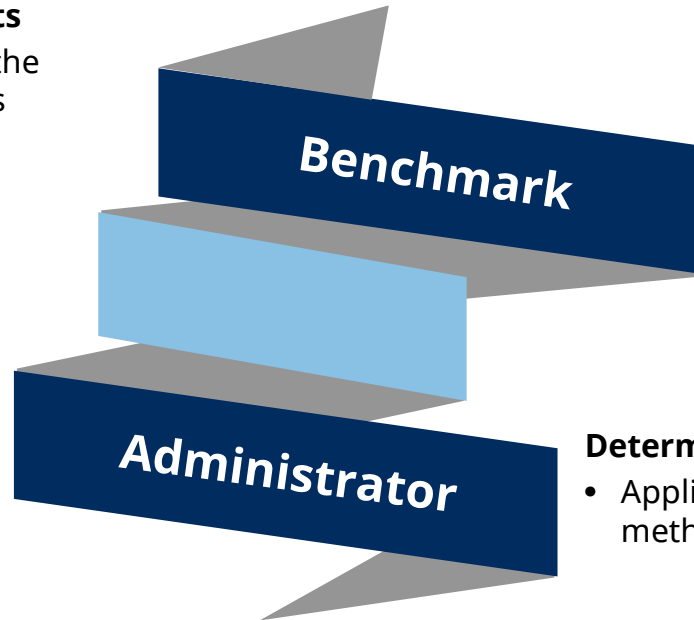
BMR only relevant to **supervised entities** (investment firms, UCITS, AIFM)

Who is a Benchmark Administrator?

Indices are regulated as **benchmarks**, if they measure amounts payable in **financial instruments** and **financial contracts**, or the **performance of investment funds** in the EU

Administering the arrangements

- The ongoing **management** of the provider's **structures** and of its **personnel**
- The setting, adaptation and ongoing **maintenance** of a **specific methodology** for the determination of a benchmark



Control over the provision of a benchmark

- Provision / administering the arrangements for **determining a benchmark**
- Collecting, analyzing or **processing input data**

Determining a benchmark

- Application of a formula or other method of calculation

Deliverables by Benchmark Administrators



Governance / Oversight

Clear structure, Methodology definition, Change process
Control framework, third parties, outsourcing



Conflicts of interest / Complaints

Conflicts to be published or disclosed
Conflicts of interest and complaints policies published



Methodology, Cessation and Input Data

Robust and reliable; transparency of rules
Benchmark statements



Control / accountability framework / audit

Management of operational risk, BCM and Disaster Recovery

Summary and outlook



New standards

The European Benchmark Regulation will raise the standard of benchmark provision
Accelerating improvements in governance and control



Efforts needed

Compliance with the regulation requires a substantial effort from all affected: Benchmark Administrators, Users and Contributors BMR is going to happen in parallel with the transition to the alternative reference rates



Challenges

Some alternative reference rates will be finalized / released in 2019 only
Not all currency areas have their transition to the new references rates at the same time
EU BMR Transitional Provisions to end in 2019