

IOSCO PUBLIC COMMUNIQUE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

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Implementation of the Principles for Financial Benchmarks

The International Organization of Securities Commissions (IOSCO) remains committed to restoring the credibility and integrity of financial Benchmarks, and published its *Principles for Financial Benchmarks*¹ on 17 July 2013. The Principles have been endorsed by the G20 at their recent Leaders Summit,² and by the Financial Stability Board.

IOSCO developed these Principles in light of investigations and enforcement actions regarding attempted manipulation of major Benchmarks. These raised concerns over the fragility of certain Benchmarks – in terms of both their integrity and their continuity of provision - that could undermine market confidence, potentially harming both investors and the real economy.

The Principles should be understood as a set of recommended practices that should be implemented by Benchmark Administrators and Submitters. The 19 Principles set out a framework of standards for Benchmarks used in financial markets, that Administrators should implement according to the specificities of each Benchmark, including:

- Governance: to protect the integrity of the Benchmark determination process and to address conflicts of interest;
- Benchmark quality: to promote the quality and integrity of Benchmark determinations through the application of design factors;
- Quality of the methodology: to promote the quality and integrity of Methodologies by setting out minimum information that should be addressed within a Methodology. These Principles also

¹ See *Principles for Financial Benchmarks*, Final Report, report of the IOSCO Board, July 2013, available at: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

² G20 Leaders' Summit Declaration (September 5-6, 2013) (¶72), available at: http://www.g20.org/events_summit/20130905/780962092.html

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call for credible transition policies in case a Benchmark may cease to exist due to market structure change.

- Accountability mechanisms: to establish complaints processes, documentation requirements and audit reviews.

Implementation and Public disclosure

Although the Principles set out uniform expectations, IOSCO does not expect a one-size-fits-all method of implementation to achieve the objectives of the Principles. Given the large universe of Benchmarks in scope of the report, IOSCO believes the implementation of the Principles will not be identical for each Benchmark. Rather, the Principles provide a framework of standards, which might be met in different ways depending on the specificities of each Benchmark. In particular, the application and implementation of the Principles should be proportional to the size and risks posed by each Benchmark and/or Administrator and the Benchmark-setting process. Moreover, nothing in the Principles is intended to restrict an Administrator from adopting its own unique Methodology or from adapting their Methodologies to changing market conditions in order to meet the Principles.

The report sets out a 12 month period from the date of its publication for Administrators to publically disclose their compliance with the Principles. The report also states that:

“Administrators should publically disclose the extent of their compliance with the Principles annually. If implementation in any way deviates from the Principles, the Administrator should explain why it believes it meets the objectives and functions of the Principles, including to the extent they are relying on a proportionate view of the Principles.”

IOSCO believes these Principles provide a solid framework to ensure the quality, integrity, continuity and reliability of Benchmarks, and therefore encourages Administrators to take all the necessary measures to comply with them and provide the public disclosure set out above.

IOSCO intends to review within an 18-month period from the date of publication of the report (July 17 2013) the extent to which the Principles have been implemented by obtaining the input of Stakeholders, Market Authorities and, as appropriate, Benchmark Administrators.

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