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International Organization of Securities Commissions
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IOSCO/MR/19/2014

MADRID, 22 July 2014

IOSCO Reviews Implementation of Benchmarks by Interest Rate Administrators

IOSCO's *Review of the Implementation of IOSCO's Principles for Financial Benchmarks by Administrators of Libor, Euribor and Tibor* was published today as part of the Financial Stability Board's (FSB) report on *Reforming Major Interest Rate Benchmarks*. The IOSCO Report assesses the three major interest reference rates against the internationally agreed and endorsed IOSCO Principles for Financial Benchmarks.

The IOSCO Report was prepared by a Review Team of IOSCO members in response to the FSB request to conduct a review of the three major interest rate benchmarks against the IOSCO Benchmark Principles. Consistent with the FSB request, the objective of the IOSCO review was to identify the degree to which the administrators of Libor, Euribor and Tibor have implemented these principles.

The report finds that both completed and on-going reforms have raised the overall oversight, governance, transparency and accountability of the three administrators and their respective benchmarks. This has undoubtedly improved the quality and integrity of the three benchmarks. IOSCO also notes that these reforms have occurred in the context of regulatory, operational and organisational changes concerning all three administrators.

All three administrators have made good progress in implementing the principles related to governance, reflecting the primary focus of the reform process to date. In general, the administrators also have implemented the transparency and accountability principles. Further work is still needed on

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org

benchmarks' methodology and design. Libor and Tibor administrators need to devote more attention to the management of conflicts of interests.

A particular challenge is posed by the assessment of Principle 7, which stipulates that "*the data used to construct a benchmark determination should be sufficient to accurately and reliably represent the interest measured by the benchmark."* To date, none of the administrators has provided IOSCO with all of the required data or analyses needed to demonstrate compliance with Principle 7. Therefore, none of the administrators were rated against Principle 7. IOSCO strongly encourages the three administrators to continue addressing Principle 7 as a matter of urgency.

IOSCO has made recommendations for each administrator on remedial action that would strengthen the implementation of the principles. IOSCO expects each Administrator to act on these recommendations as expeditiously as possible. By end 2014 (or earlier if required by the relevant regulatory authority), each administrator should develop and submit to its regulatory authority, where available, its work plan to address the remediation recommendations for all principles.

Because further reform work is required, particularly with respect to data sufficiency, IOSCO recommends conducting a further implementation review of the three administrators in mid-2015. This further review would seek to identify whether administrators have made any progress in addressing the recommended remediation work set out in the Report.

"*Interest rate benchmarks underpin the functioning of financial markets*," IOSCO Board Chair Greg Medcraft said. "*IOSCO's review is an important part of the FSB's work on interest rate benchmarks and demonstrates the strength of our standards and of our assessment capability*."

Martin Wheatley, the Chief Executive Officer of the UK Financial Conduct Authority and co-Chair of the IOSCO Board-Level Task Force on Financial Benchmarks, said*: "This is an important contribution to the efforts to restore confidence in benchmarks. I am pleased that the recommendations by IOSCO* *and the FSB reflect many of the reforms to LIBOR we've already put in place. But a new framework is just one part of the equation - what people will want to see is evidence of good conduct."*

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, United Kingdom and the United States.

3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.

4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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MEDIA ENQUIRIES

Carlta Vitzthum	+ 34 91 787 0419
Outside office hours	+ 34 697 449 639
Email:	carlta@iosco.org
Website:	www.iosco.org

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