

LEBA

LIMITED

WMBA

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Administration Control Framework (Indices & Benchmarks)

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For the purpose of this document, WMBA Limited and LEBA Limited shall be referred to as the 'Administrator', or 'Administrators' where the context requires unless the content is specific to one administrator where that administrator will be individually named.

Executive Summary

The European Venues & Intermediaries Association ("EVIA")¹ and the London Energy Brokers' Association ("LEBA") are the European industry associations for the wholesale intermediation of organised venue and Over-the-Counter (OTC) markets in financial, energy, commodity and emissions markets and their traded derivatives.

EVIA and LEBA member firms act solely as operators of venues, intermediaries or agents in the markets in which they operate, bringing together two independent counterparties to a transaction. They do not undertake any proprietary trading and therefore do not take the financial risks of the transaction they broker onto their own books. As a result, they hold permissions as MiFID Investment Firms and operators of venues which are classified as Limited Activity and Limited Licence under BIPRU and IFPRU in the UK.

WMBA Limited and LEBA Limited were formed to administer the data businesses of EVIA and LEBA respectively. WMBA Limited and LEBA Limited are owned by WMBA & LEBA (Holdings) Ltd, a private company limited by guarantee by the EVIA and LEBA member firms. See the '[Group Ownership Structure](#)'.

WMBA Limited and LEBA Limited are both considered as Administrators for the indices and benchmarks as listed under the '[Index & Benchmark Portfolio](#)'.

¹ Formerly Wholesale Markets Brokers' Association ("WMBA") prior to 2018

About the Administrators

WMBA LIMITED, is a company registered in England, whose registered office is located at The White Building, 1-4 Cumberland Place, Southampton, Hampshire SO15 2NP.

Company No: **06618351**

Financial Conduct Authority Firm Reference Number: **679716**

WMBA Limited was incorporated on 12th June 2008. The only activity of WMBA Limited is the administration of indices and the sale of such to a small number of subscribers. Although incorporated in 2008, the indices it administers have been in existence for much longer.

On 1st April 2015, WMBA Limited first became regulated by the FCA for the activity of administering a specified benchmark. On 12th January 2018, WMBA Limited was approved by the FCA as an administrator under the EU Benchmarks Regulation (BMR) and is listed as such on the European Securities and Markets Authority (ESMA) 'Benchmarks Register'².

LEBA LIMITED, is a company registered in England, whose registered office is located at The White Building, 1-4 Cumberland Place, Southampton, Hampshire SO15 2NP.

Company No: **06617701**

LEBA Limited was incorporated on 12th June 2008. The only activity of LEBA Limited is the administration of energy indices and the sale of such to a small number of subscribers. Although incorporated in 2008, the indices it administers have been in existence for much longer.

² <https://www.esma.europa.eu/benchmarks-register>

Benchmark Regulation & Industry Standards

The benchmark determination process has been subject to considerable scrutiny in a number of jurisdictions over previous years. The following section covers those regulations that are relevant to the Administrators and their role in the publication of indices and benchmarks.

IOSCO Principles for Financial Benchmarks

On a global basis, the International Organization of Securities Commissions (“IOSCO”) published its final report on the Principles for Financial Benchmarks in July 2013. These Principles cover:

- Governance principles aimed at protecting the integrity of the benchmark determination process and dealing with conflicts of interest
- Benchmark quality principles aimed at promoting the quality and integrity of benchmark determinations through the application of design factors
- Methodology principles aimed at promoting the quality and integrity of methodologies by setting out minimum information that should be addressed within a methodology
- Accountability mechanisms such as a complaints process, documentation requirements and audit reviews.

The IOSCO Principles state that “the Administrator should retain primary responsibility for all aspects of the Benchmark determination process including:

- Development: The definition of the Benchmark and Benchmark Methodology;
- Determination and Dissemination: Accurate and timely compilation, publication and distribution of the Benchmark;
- Operation: Ensuring appropriate transparency over significant decisions affecting the compilation of the Benchmark and any related determination process, including contingency measures in the event of absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure, or other relevant factors; and
- Governance: Establishing credible and transparent governance, oversight and accountability procedures for the Benchmark determination process, including an identifiable oversight function accountable for the development, issuance and operation of the Benchmark.”

To view the IOSCO Principles for Financial Benchmarks, [CLICK HERE](#).

Market Abuse Regulation (MAR)

The Market Abuse Regulation (MAR) came into effect on 3 July 2016. Under MAR, the scope of financial instruments has significantly expanded to include commodity and related derivatives markets. It explicitly bans the manipulation of benchmarks and reinforces the investigative and sanctioning powers of regulation.

The FCA issued rules governing benchmarks can be found in chapter 8 of the Market Abuse Regulation (“MAR”).

To view the Market Abuse Regulation Chapter 8 on Benchmarks, [CLICK HERE](#).

EU Benchmark Regulation (BMR)

The 'Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds' ("BMR") entered into force on 30th June 2016 with most of the provisions applying from 1st January 2018. This regulation was the EU's response to various allegations and scandals effecting benchmarks over previous years. The BMR follows closely the principles identified by IOSCO and the rules imposed by MAR 8 in regulating benchmarks in the UK.

The BMR applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. It introduced a common framework and consistent approach to benchmark regulation across the EU and aims to ensure *benchmarks* are robust and reliable, and to minimise conflicts of interest in benchmark-setting processes.

To view the EU Benchmark Regulation [CLICK HERE](#).

Administration Control Framework (Indices & Benchmarks)

This framework aims to provide transparency of the Administrators practices providing the necessary governance and control to administer benchmarks in line with the relevant principles or regulations.

The Administrators note that whilst the objectives of IOSCO and the BMR are to create a common framework for the regulation of indices used as benchmarks in financial markets, the Administrators shall where it is possible and proportionate to do so, apply the framework to all indices that they administer.

Governance

Organisational Structure

The Administrators have clear organisational and governance structures ([‘WMBA Limited Governance Chart’](#) and [‘LEBA Limited Governance Chart’](#)) ensuring transparency over significant decisions and well defined, transparent and consistent roles and responsibilities for all persons involved in the provision of benchmarks. Details of the roles and responsibilities of staff in respect of the preparation and distribution of the benchmarks are contained in the individual member of staff’s job descriptions.

WMBA Limited and LEBA Limited Boards

WMBA Limited and LEBA Limited Boards will be responsible for the strategic direction and operational conduct of the benchmarks and the Administrators. WMBA Limited and LEBA Limited Boards are themselves instructed by their Memorandum and Articles of Association for Company Limited by Guarantee (“Mem & Arts”).

The Mem & Arts of WMBA Limited and LEBA Limited Boards are published on the association websites.

Other Committees

WMBA Limited and LEBA Limited Boards may take guidance and advice from their respective data committees or from the Audit and Remuneration committees, each of which are governed by their own terms of reference.

The audit committee will meet at least once per year to review the Administrator’s adherence to their stated policies and procedures in respect of the preparation and distribution of benchmarks and with all appropriate legislation, guidelines and local supervisory rules.

Conflicts of Interest

Due to the independent nature and business profile of the Administrators; the reliance on transaction-based data; the automated methodology adopted for calculating the benchmarks and the regulatory status of the data sources, the scope for conflicts of interest in respect of the preparation and distribution of the benchmarks is extremely limited.

The Administrators have implemented a [‘Conflicts Risk Map’](#) setting out the type of risks that might occur, a [‘Conflicts of Interest Policy’](#) to identify and mitigate against any conflicts that exist between any persons involved in the benchmark process.

Head of Compliance shall maintain a register of any outside business interests of committee or board members which give rise to potential conflicts of interests in respect of the production and oversight of the benchmark administration with any conflicts being logged in the [‘Conflicts of Interest Register’](#).

Complaints

If any Stakeholder has a complaint about the accuracy or integrity of any benchmarks produced by the Administrators, then they should follow the procedures set out within the [‘Complaints Policy’](#) available to download from the relevant company website.

Staff

Expertise and Ongoing Training

The Administrators have fully documented [‘Data Operating Instructions’](#) in respect of the collection of input data and the publication of the benchmarks they administer. The [‘Data Collection & Monitoring’](#) defines the necessary procedures for validation of the data and the production of the benchmarks.

The Administrators shall ensure that all employees and other natural persons whose services it uses in the provision of benchmarks:

- Have the necessary skills, knowledge and experience for the duties assigned to it and are subject to effective management and supervision;
- Are not subject to any undue influence or conflicts of interest and that the compensation and performance evaluation of these persons do not create conflicts of interest or otherwise impinge on the integrity of the benchmark process;
- Their interests and business connections will not compromise the administrator’s functions; and
- Shall be provided with additional professional training in respect of any changes in the legislation, guidelines or local supervisory rules.

Whistleblowing

The Administrators seek to conduct their businesses with honesty and integrity and believe that they have a duty to take appropriate measures to identify and remedy any malpractice within or affecting the benchmarks they administer. They expect all staff to maintain high standards and to report any wrongdoing that falls short of those standards.

A [‘Whistleblowing Policy’](#) is maintained to encourage and enable any person to anonymously raise concerns to the Administrator in connection with any aspects of the firm’s activities. The policy is available to download from the relevant company website.

Oversight

Internal Oversight

WMBA Limited and LEBA Limited Boards have delegated responsibility for the day to day collection, oversight and monitoring of input data and the challenging or validation of the input data, to staff employed by the Administrators.

To ensure that the quality and the integrity of the benchmarks is maintained, the oversight and monitoring will be undertaken daily and will cover the following areas:

- Adherence to the 'Benchmark Methodologies';
- Integrity and quality of benchmarks including monitoring the input data for suspicious transactions and the verification thereof (procedures identified within the '[Data Collection & Monitoring](#)' document);
- Identification and reporting of potential breaches of the relevant regulations;
- Where there is no contribution of input data and input data is sourced entirely and directly from a source as defined by Article 3(24) of the BMR, that data source's ability to meet the expectations as defined within the '[Data Source Pack](#)';
- Where there is contribution of input data to the Administrators, the adherence to the applicable code of conduct;
- Provision of management reports to the relevant benchmark oversight function; and
- Adherence of obligations of third parties who participate in the benchmark determination process.

Oversight Functions

Where applicable, the Administrators have established permanent and effective oversight functions to ensure oversight of all aspects of their benchmarks. The composition of the oversight function for each benchmark or family of benchmark shall be determined at the Administrators discretion taking into consideration the type of benchmark or family of benchmarks that are being administered.

Responsibilities of the oversight function shall be determined by the relevant terms of conditions and should include but not be limited to: -

- Reviewing the benchmark definition and methodology and overseeing any changes at least annually;
- Where the benchmark(s) is based on input data from contributors, overseeing the code of conduct established by the Administrator;
- Where the benchmark(s) is based on input data from contributors, oversee any short falls of those providing benchmark submissions to comply with the code of conduct;
- Oversee any third party involved in the provision of the benchmark(s);
- Assessing internal and external reviews and monitoring implementation of remedial actions;
- Where an external committee has been formed to carry out the role of the oversight function, agree and jointly manage the Terms of Reference of that committee with the Administrator;
- Challenge the Administrator to ensure there are appropriate control frameworks in place to be able to sufficiently carry out the determination of the benchmarks;
- Undertake periodic reviews of the documentation associated with the benchmarks;
- Scrutinise the benchmark conflicts of interest register;
- Scrutinise the benchmark operational risks;
- Review benchmark cessation plans and where cessation is recommended, discuss the impact to the market
- Notify the regulator of incidents related to market abuse or suspicious activity.

Benchmark Methodology & Benchmark Statements

The Administrators have produced '*Benchmark Methodologies*' and '*Benchmark Statements*' for each benchmark, or family of benchmarks that they administer providing the following details:

- A definition and description of the benchmark and of the market or economic reality it is intended to measure;
- The type and source of input data used for each benchmark;
- The currency or other unit of measurement of the benchmark;
- The criteria used by the Administrator for selecting sources of input data;
- The key elements of the methodology that the Administrator uses for each benchmark or family of benchmarks;
- Identification of any discretion used in the determination of a benchmark or family of benchmarks;
- Details of the internal review and the approval of benchmark methodologies;
- Criteria that identify the minimum amount of transaction data required for a particular benchmark determination. If no such threshold is provided for, the reasons why a minimum threshold is not established shall be explained, including setting out the contingent methodologies where there is no transaction data.

The detailed '*Benchmark Methodologies*' and '*Benchmark Statements*' are available to download from the websites under the relevant market data drop downs (www.wmbaltd.com & www.lebaltd.com).

Internal Controls over Data Collection, Monitoring & Distribution

The Administrators have detailed controls over the '*Data Collection & Monitoring*' of input data.

Where there is 'contribution of input data' as defined by Article 3(8) of the BMR and where Article 15 of the BMR applies, the Administrator shall provide the contributor with a code of conduct clearly specifying contributor's responsibilities with respect to the contribution of input data. The Administrator must be satisfied that contributors adhere to the code of conduct on a continuous basis. Where the Administrator is not satisfied with the contributor's adherence to the code of conduct, this shall be raised with the Head of Compliance and the relevant oversight function for escalation.

Where the provisions for contributors does not apply in respect of input data, during the onboarding process, each source of input data shall be provided with a '*Data Source Pack*' outlining expectations/obligations of the data source.

Where changes are required to facilitate new or alternative means of collecting input data, the Administrator shall follow the '*Change Management Policy*' and '*Change Management Process*' to ensure there is minimal, if any, impact on the collection of input data which could in turn effect the overall determination of the benchmarks.

Escalation of Suspicious Transactions

When trades are identified by the Administrator as outside reasonable tolerance levels, the Administrator by following the procedures as defined in the relevant '*Data Collection & Monitoring*' document, shall;

- Contact the source of input data to evaluate whether the trade in question is valid
- Where an error has occurred:
 - Obtain written confirmation of the correct trade by email
 - Add/amend/remove trade in the system;
- Log any communications in respect of the trade, including the following details:
 - The name of the person who was contacted
 - The response to the query
 - Any amendments required

Where a trade is still deemed suspicious or input data sources become sporadic, the Administrator will follow the escalation procedures as defined within the relevant '[Data Collection & Monitoring](#)' document.

Transparency Requirements in Respect of Input Data

The source and type of input data used for the determination of the benchmarks, shall be identified within the relevant '[Benchmark Methodologies](#)' and '[Benchmark Statements](#)'.

Amendments to Published Benchmarks

The Administrators will make every effort to ensure the accuracy and timelines of the benchmark publications. However, where the Administrator becomes aware that post publication events materially affect³ the integrity or independence of the benchmark, they reserve the right to revise or amend the data published at any time.

Any amendments to published rates will be notified to all subscribers on recalculation emails and new SFTP files made available. All recalculation notifications will be placed on the relevant website and notice of the amendments to benchmarks will be posted to authorised redistributors of the benchmarks.

Distribution of Benchmarks

The Administrators use the following media outlets for distributing benchmarks and any other supplementary data to its subscribers;

- Secure password protected websites;
- SFTP servers using issued username and passwords. The data is made available using CSV (Comma Separated Value) files;
- Email to subscribers and contributing firms (also to 'customers of' contributing firms where requested); and
- Distribution to authorised data vendors.

All benchmarks and supplementary data within these distribution outlets are updated simultaneously.

Some benchmarks are subsequently distributed by authorised subscribers to third parties as part of a subscription-based license. The Administrators have no obligation to third party recipients in this respect.

³ See the relevant '[Benchmark Methodology](#)' for details on the '[Recalculation Policy](#)'

Changes to Methodologies

To maintain the integrity and reliability of the benchmarks and to ensure that the benchmarks continue to sufficiently represent the market or economic reality they are intended to measure, the Administrators through their Board and relevant oversight functions shall undertake periodic reviews of their policies and procedures.

Where these reviews necessitate change to the methodology in respect of a given benchmark, the Administrator through guidance from the relevant oversight function and after any required notification to the relevant regulator, will make the changes in line with the procedures identified in the relevant *'Benchmark Methodology'*.

Business Continuity

The Administrators maintain a *'Business Continuity and Disaster Recovery Plan'* and *'Data Server Disaster Recovery Plan'* outlining resilience and failover scenarios of both systems and association personnel to allow for the continuous flow and publication of benchmarks.

The purpose of the plan is to detail and prepare for any service outages that may arise due to stressed environments or in extreme circumstances such as 'disaster' and to consider which resolutions would be taken into consideration in order to minimise operational disruptions and resume full service levels as quickly and efficiently as possible.

The dual, independent Virtual Data Centres (VDC), outlined in *'Infrastructure Design & Security'*, helps to ensure that at all times the Administrators have the capability to collect, calculate and publish benchmarks to the highest standards and with the minimal impact to end users of the benchmarks.

Record Keeping

The Administrators will keep records in a readily accessible media of the following:

- All input data;
- The use of this input data to determine the benchmark and the methodology utilised;
- Any exercise of judgment or discretion by the administrator in the benchmark determination, including the full reasoning for the judgement or discretion, records of the disregard of any input data, in particular where it conformed to the requirements of the benchmark methodology, and the rationale for its disregard;
- All documents relating to any complaint, including those submitted by the complainant as well as the administrator's records.

Reporting and Cooperation with Competent Authorities

The Administrators shall monitor the input data in order to identify breaches of relevant regulations or any misconduct by contributors or the sources of input data of which the oversight function becomes aware, and any anomalous or suspicious input data. The Administrators reserve the right to notify the National Competent Authority (NCA) of their

suspicious where appropriate and provide the relevant information where it suspects that, in relation to the benchmark, there has been:

- A material breach of the current and proposed Market Abuse Regulation;
- Conduct that may involve manipulation or attempted manipulation of a benchmark;
- Collusion to manipulate or to attempt to manipulate a benchmark.