



Submitter's Code of Conduct

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## Submitter's Code of Conduct

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### Preface

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The benchmark setting process has been subject to considerable scrutiny in a number of jurisdictions over the last few years. 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.

Using the IOSCO principles as a framework, WMBA Limited and LEBA Limited, jointly referred to in this document as “the Benchmark Administrators”, have established this code taking into account the following regulations:

- the new EU Market Abuse Regulations in force on 3 July 2016 making the manipulation of a benchmark a criminal offence
- the EU Benchmark Regulation entered into force 30 June 2016 introducing a common framework to ensure the accuracy and integrity of benchmarks used in financial instruments and financial contracts but application not until 1 January 2018.
- In the UK, the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2015 (“RAO”) was amended to incorporate the regulation and supervision of benchmarks within the scope of regulated activities.
- The FCA is the UK competent authority for the regulation and supervision of benchmarks and has issued rules governing benchmark setting (MAR 8). However, pending the application of the EU Regulations, the FCA rules only apply to specific benchmarks which were originally restricted to the London Inter-Bank Overnight Rate (LIBOR) published by the BBA, but now under SCHEDULE 5 of the act include both Sterling Overnight Index Average (SONIA) and Repurchase Overnight Index Average (RONIA) as “specified benchmarks” where WMBA Limited acts as Calculation Agent or Administrator respectively.

In the absence of any definitive EU legislation, this ‘Submitters Code of Conduct’ is based on the IOSCO Principle 14 which states: “The Administrator should develop guidelines for submitters (“Submitter’s Code of Conduct”) which should be available to any relevant authorities, if any, and published or made available to stakeholders”<sup>1</sup>.

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<sup>1</sup> This Submitters Code may need to be updated when the EU Regulation is adopted

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### Scope of the Code

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This code applies to the indices and benchmarks identified by the Benchmark Administrators in the *'Index & Benchmark Portfolio'*, which are considered to fall within the classification of benchmarks in respect of the 'IOSCO Principles for Financial Benchmarks':

Specifications in respect of the methodology adopted for calculating these indices/benchmarks can be found on WMBA and LEBA Websites (<http://www.wmba.org.uk> and <http://www.leba.org.uk>).

Whilst it is acknowledged that those providing data in relation to these benchmarks would be classified as Submitters under the IOSCO Principles for Financial Benchmarks, where a person does not carry on an activity of the kind specified by article 63O(1)(a) of the RAO in relation to a specified benchmark, they would not be classified as a 'Submitter' but as one making a 'benchmark submission'; and in this instance would be classified as a 'Contributor'.

Where a firm is classified as a Submitter, they must adhere to this *'Submitters Code of Conduct'*. For Contributors, the *'Data Quality Code for Submissions'* shall apply.

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#### General Principles

A Benchmark Submitter should have in place internal policies covering the submission process, governance systems, training, record keeping, compliance, internal controls, audit and disciplinary procedures, including complaints management and escalation processes.

A Benchmark Submitter should maintain and operate effective administration arrangements with a view to avoid and manage conflicts of interest affecting the benchmark data submitted.

#### Submission Guidelines

The Benchmark Submitter shall on each trade date make available to the Benchmark Administrator all the relevant data created on that trade date in accordance with the relevant Data Supply Agreement or Data Submissions Manual.

#### Governance Arrangements

A Submitter must establish and maintain adequate and effective organisational and governance arrangements for the process of making benchmark submissions.

*i. Governance Policy*

The Benchmark Submitter's Governance Policy should ensure that:

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- Clearly accountable named individuals, at the appropriate level of seniority within the firm, are responsible for the oversight of the submission process, benchmark data submissions and post submission reviews.
- Policies and Procedures are in place covering:
  - Reporting structure and operational procedures
  - Oversight and monitoring arrangements
  - Escalation and reporting procedures
  - Documented business continuity arrangements for collation of data and making benchmark submissions
- Staff involved in the Benchmark data submission have the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them and undergo appropriate training and development programmes. The training should include as a minimum:
  - Internal benchmark setting policies and procedures
  - Inputs to be taken into account and the use of expert judgement, within the framework of submission guidance
  - The impropriety of attempting to manipulate the submissions and the need to report and such attempts of which they become aware
  - The importance of conducting benchmark related business over a taped line or electronic communication systems
- Disciplinary action to be taken against the individual if it is established that they have acted improperly in respect of the Benchmark Submitter's Submission
- An effective whistle blowing mechanism is in place in order to facilitate early awareness of any misconduct or other irregularities in respect of the submission process that may arise
- Oversight of the submission process is undertaken by the compliance function to ensure compliance with this Code. The key duties of the compliance function are:
  - Advising the relevant persons responsible for carrying out benchmark-setting related activities in complying with the Benchmark Submitter's obligations under its internal policies and the IOSCO Principles
  - Involvement in gathering and investigating any complaints concerning the accuracy or integrity of the Benchmark Submitter's submission, including the logging, review and follow-up of all complaints
  - Regularly reviewing the Benchmark Submitter's interactions with the Benchmark Administrator, including the number and result of requests for further information and the number of late submissions
  - Regularly reviewing reports identifying exceptions and breaches of internal procedures implementing the IOSCO Principles
  - Testing a sample of records of voice communications between those involved in the Benchmark submission process and those outside of this process
  - Issuing recommendations based on the result of work carried out
  - Verifying compliance with those recommendations
  - Recording and escalating its findings
- The Benchmark Submitter shall conduct periodic internal audits of a reasonable sample of data submitted to the Benchmark Administrators, the factors and all other evidence

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documenting the basis for such submissions and the exercise of any expert judgement in respect of the submissions in order to verify the integrity and reliability of the process for determining the submissions. Confirmation of the review taking place and its findings should be made available to the Benchmark Administrators and the Submitter's senior management.

- Ongoing submission of data to the Benchmark Administrators denotes the Benchmark Submitters compliance with the IOSCO Principles for Financial Benchmarks. This may be supplemented by an annual disclosure to be made submitted to the Benchmark Administrator confirming the Benchmark Submitter's compliance should ongoing submissions be interrupted.

### *ii. Conflicts of Interest Policy*

The Benchmark Submitter's Conflicts Policy should ensure that:

- Effective procedures are in place to:
  - Identify, with reference to the activities related to the Benchmark data submissions, conflicts of interests that may arise along with the procedures to be followed and measures to be adopted, in order to manage such conflicts
  - Prevent or control the exchange of information between staff engaged in activities involving an identified risk where the exchange of that information may affect the Benchmark data submitted
  - Contingency provisions in case of the absence of control of the flow of information
  - Rules to avoid collusion between Benchmark Submitters and between Benchmark Submitters and the Benchmark Administrators
  - Measures to prevent any person from exercising inappropriate influence over the way in which staff involved in the benchmark data submission carry out activities
  - The removal of any direct link between the remuneration of staff involved in the Benchmark data submissions and the remuneration of, or revenues generate by, different staff principally engaged in another activity, where a conflict of interest may arise in relation to those activities

### *iii. Record Keeping Requirements*

The Benchmark Submitter shall maintain records of all relevant aspects of the submission process for a period of five years in line with the record keeping requirements in MiFID. These records should cover but are not limited to:

- Procedures and methodologies governing submissions and the underlying data
- Names and roles of individuals responsible for submission and submission oversight
- Relevant communications with the Benchmark Administrators
- Any transactions reversing positions subsequent to a submission
- Findings of External or Internal Audits related to Benchmark submissions, remedial action and progress on their implementation
- Training records of staff involved in the Benchmark data submission process

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Records should be kept in a medium that allows for storage of information in a way accessible for future reference and in such a manner that it must not be possible for the records to be manipulated or altered.

Notwithstanding the fact that submissions are all and solely completed transactions, the Benchmark Submitter should provide to the Benchmark Administrators when requested to do so any further information and assumptions used in respect of their data submissions.