



IHS Markit Benchmark Administration Limited - Governance and Regulatory Compliance

January 2022

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1 Benchmark Administration

IHS Markit Benchmark Administration Ltd. (**IMBA UK** or the **Administrator**) is authorised by the Financial Conduct Authority (**UK FCA**) as Benchmark Administrator under the UK Benchmarks Regulation (**UK BMR**) and listed as authorised Benchmark Administrator on the [FCA Benchmarks register](#). IMBA UK's benchmark administration activities have been conducted in compliance with the IOSCO Principles for Benchmarks (**IOSCO Principles**) since 2014.

In compliance with BMR and the IOSCO Principles, IMBA UK is responsible for the administration and calculation of benchmark families and therefore is the **Administrator** of each **Index** and, where applicable, associated **Benchmark** within these families. More information and relevant documentation can be found on the [Administrator's website](#).

2 Governance Arrangements

The Administrator has established both an internal and external committee structure to ensure that the provision of the Indices is conducted in an orderly fashion and in compliance with its regulatory obligations.

2.1 IMBA Internal Governance

The Administrator uses an internal committee structure to provide overall oversight and governance for the design, calculation and administration of Indices. These governance arrangements are intended to eliminate the opportunity for any person to exercise undue control or influence over the Administrator.

2.1.1 The Board of the Administrator

The Board of the Administrator (**Board**) consists of individuals who have overall responsibility for the administration of the Indices. The Board has no day-to-day involvement in the operation of the Indices but has the expertise and experience required to provide oversight and ensure compliance with BMR. The Board is governed by the Terms of Reference and Articles of Association.

2.1.2 Benchmark Oversight Committee

The Board is subject to oversight and challenge from the Benchmark Oversight Committee (**BOC**). The BOC performs the role of oversight function, as required under BMR, and is governed by the BOC Terms of Reference.

2.1.3 Product Level Committees

The Administrator has established Index Administration Committees (**IAC**) which exercise informed and effective oversight over the administration for specific Benchmark families, including the launch of new Indices, material changes to or cessation of existing methodologies, restatements, input data and contributors, exercise of expert judgement. The IAC, where established, reports to the Board but retains the ability to escalate any issues to the BOC.

The IAC delegates the oversight of the day-to-day operation and management of the Indices to the Administration Operations Committee (**AOC**), where established. The AOC's primary role is to safeguard the daily determination of Indices and address any operational issues which might arise. The AOC also works to continuously improve of processes to achieve Index Administration best practice. The AOC retains the ability, and in certain circumstances is obliged, to escalate any issues to and seek approval from the IAC to whom it reports.

Where an AOC is not established, senior managers from Operations will meet when required to discuss urgent matters and will escalate to the IAC accordingly.

2.2 External Committees

To ensure ongoing dialogue with and feedback from Index users, the Administrator has established External Advisory Committees (**EAC**). For some index families, such EACs consist of a Technical Advisory Committee (**TAC**) and a General Advisory Committee (**GAC**), with representation from sellside institutions and the buy-side respectively.

EACs operate to aid the development and operation of the relevant Indices by providing insight and feedback for the development of new Indices, improvements for existing Indices, or the cessation of Indices. They review and provide input on potential and proposed changes to the Index methodologies and constituents as well as on regulatory, legal and compliance issues and general risks. They also advise on technical matters in respect of the operation of the Indices and address any relevant request from the Administrator in a timely manner.

These committees also provide input into the Annual Index Review (**AIR**) organised by the Administrator. The Administrator considers feedback from these as part of the formal consultation process with all market participants.

Committee members represent senior practitioners in their field who are appointed by the Administrator based on market expertise and ability to contribute to discussions from experience and use of the relevant indices.

3 Input Data

Each Benchmark family has documented policies and/or procedures relating to input data. In particular, such documentation explains the pre and post calculation checks undertaken, which are tailored to the specific characteristics of each Benchmark family. Typically, data ingestion is automated. Prior to Index calculation, an exception handling process is in place to validate input data which requires review; manual changes to the value or status of input data will usually require a second approval prior to Index calculation. Post-calculation checks are generally programmed into the systems, generating warnings and error messages which must be reviewed prior to publication of an Index level. In addition, post-publication checks may be performed to ensure the Index level calculated by the Administrator is consistent with the level that has been displayed on the publication venues.

In respect of Indices that rely upon input data from Contributors, the Administrator may also seek clarifications pre-calculation if a contribution is significantly off-market.

4 Conflicts of Interest

Responsibility for Index administration has been operationally and legally separated from other IHS Markit activities and placed with the Administrator. The Administrator and its affiliates (together **IHS Markit**) do not issue financial instruments, financial contracts and do not manage investment funds.

On an annual basis, the Regulatory Compliance Officer together with the Board of the Administrator, working with Tax, Legal and any other relevant business units, will review the activities of IHS Markit and take appropriate steps if any potential or real structural conflicts of interest are identified. Such steps may include operational and legal separation of any activities creating an actual or perceived conflict of interest and implementation of effective procedures to control the exchange of information between conflicted areas.

All IHS Markit staff members are required to annually attest to the IHS Markit Business Code of Conduct and the IHS Markit Conflicts of Interest policy. All staff involved in Index determination and administration are required to complete a Conflict of Interest Disclosure Form on an annual basis and are under ongoing obligation to disclose details regarding any actual or apparent conflict of interest, if and when any arise, and to receive approval from the Regulatory Compliance Officer using the Outside Business Activity Disclosure Form. The Regulatory Compliance Officer reserves the right to refer any such applications to the BOC.

All staff members are strictly prohibited from contributing input data to an Index on a personal basis or on behalf of market participants unless such contribution is explicitly required under an Index methodology and is subject to specific to controls. Any such activity must be declared under the Outside Business Activity Disclosure Form referenced above and approved by the Regulatory Compliance Officer, the BOC and the Board of the Administrator.

All staff members are also prohibited from entering into a personal transaction in any financial instrument that reference, either directly or indirectly, the Index. If, at the time of becoming subject to the relevant IHS Markit Personal Account Dealing Policy, staff members hold any instrument referencing the Index, they must provide a list of all holdings to the Regulatory Compliance Officer.

In accordance with the IHS Markit compensation program, staff are remunerated as part of a total compensation program:

- Base Salaries;
- Cash Incentive Program to reward performance where IHS Markit staff achieve corporate/business and individual objectives;
- Equity Incentive Program; and
- Ad hoc recognition designed to provide an immediate reward for above-and-beyond performance.

The total compensation program does not take account of the actual performance of any Index administered by the Administrator (i.e. a rise or drop in an Index level has no impact on anyone's compensation). The integrity of the Index is, therefore, not at risk as a result of individual remuneration or performance evaluation.

The Administrator will ensure it publishes or discloses all existing or potential conflicts of interest to Index users, contributors, the FCA and/or any other applicable regulatory body. The Administrator's Managing Conflicts of Interest statement is available on the [Administrator's website](#).

5 Market Disruption and Force Majeure Events

The Administrator's Indices are rules based and do not typically permit the use of discretion unless there are exceptional circumstances that are not addressed by either this Index manual or an Administrator policy. Such scenarios may include (but are not limited to):

- Failure of data providers;
- Significant changes to the underlying market;
- Action by governmental or regulatory bodies that causes market disruption; or
- Events beyond human control.

Where urgent decisions on an ad hoc basis are required and would lead to a material temporary change to or alternative interpretation of the Index methodology, they shall be escalated to the IAC. The IAC shall take action or make a decision which is consistent with the objective of the Index in question and that causes minimal disruption to Index stakeholders. The Administrator may consult with Index stakeholders, in accordance with the Administrator Benchmark Methodology Changes and Cessation Policy available on the [Administrator's website](#). Following any ad hoc decision, the IAC shall assess whether a permanent change to the methodology would be appropriate.

Any use of discretion or judgment under exceptional circumstances, which is escalated to the IAC, will be also reported to the IMBA UK Board and reviewed by the Benchmark Oversight Committee (BOC).

6 Methodology Changes and Cessations

Any termination of or material change to a Benchmark (including those due to a lack of demand, market structure change or other reason) must be in accordance with the Methodology Changes and Cessation Policy (available on the [Administrator's website](#)) and undertaken in an orderly manner, taking into consideration the potential impact to the client(s) and market integrity. Other than where there are no outstanding products linked to a Benchmark, a material termination of or change to a Benchmark will require escalation to the BOC and the Board.

When considering whether to change or terminate a Benchmark, the Administrator will:

- Confirm whether there are any instruments which reference the relevant Benchmark;
- Notify the Board and BOC if the methodology change or cessation is material and receive approval where required under the Benchmark Methodology Changes and Cessations Policy.
- Conduct a stakeholder consultation process, where the change to or termination of the methodology is material, which will provide a clear rationale for the proposed change or termination, implementation timeline and the timeframe during which stakeholders may provide feedback;
- Make available to the Board, BOC and stakeholders upon request, a summary of the comments received during any consultation process along with the Administrator's responses, except where a commenter has requested confidentiality; and
- Notify the Board, BOC and stakeholders of the decision, along with adequate notice of the date on which termination will take place, taking into account the type of Benchmark and the extent of its use.

A methodology change is likely to be material if it has a substantial impact on the Index calculation process or formula, the quality of the input data, the Index selection rules, the underlying market or reality measured, the panel of Contributors to the Benchmark, or the Benchmark level. A cessation is likely to be material if it applies to a large number of Benchmarks, an entire Benchmark family is terminated, or there are financial instruments referencing the Benchmark.

7 Errors and Restatements

In the event that the Administrator identifies, or is made aware of, any errors in previously published information relating to an Index, an analysis of the affected Index values will be undertaken and a decision will be made on whether to restate the Index, consistent with the applicable restatement policy. A restatement policy for each Benchmark family is available on the [Administrator website](#).

Restatement decisions are based on the materiality of the error which is determined based on all relevant factors, including the number of Indices and sub-Indices affected, the time between publication and when the error is detected, the impact at the constituent level, whether month-end Index levels are affected, the size of the deviation between published and updated Index levels, the

impact on ancillary calculations such as Index- or constituent-level analytics, the data processing impact on clients and vendors, financial product impact, and general market conditions. Not all factors need to be present to warrant a restatement and some may be more determinative than others depending on the circumstances.

8 Complaints

The Administrator maintains a transparent complaint handling process which is set out in detail in the Administrator's Complaints Handling Policy, available on the [Administrator's website](#). The policy, in summary, provides for the submission and identification of complaints, as well as describing the processes the Regulatory Compliance Officer will follow when resolving a formal complaint.

Any complaint made by a stakeholder (including users of and contributors to Indices) relating to an Index will be dealt with in a timely manner by the Administrator's Regulatory Compliance Officer and will be conducted independently of any person or persons who are the subject of the complaint. The Regulatory Compliance Officer will decide whether the complaint requires escalation to the Board and / or the BOC.

Management information in relation to all complaints received will be provided to the Board and to the BOC on a regular basis.

9 Reporting of Infringements or Misconduct

The Administrator has established controls, including automated threshold monitoring, to identify suspicious input data. In cases where input data appears to be suspicious, the Administrator will firstly engage with the Contributor to establish the grounds for the contribution. The Administrator will, if not satisfied, discuss with the Regulatory Compliance Officer.

The Regulatory Compliance Officer will review the circumstances and ensure swift reporting to the relevant regulatory authority if there are reasonable grounds to suspect misconduct in respect to, or attempted manipulation of, an Index.

All staff are able to report infringements of BMR or misconduct via the IHS Markit Compliance Hotline and Reporting Misconduct Policy. This policy provides guidance related to the establishment and administration of a system that allows IHS Markit colleagues, officers, members of the Board of Directors, and other interested third parties (i.e. customers, vendors, contractors, etc.) to report known or suspected violations of the law, the Business Code of Conduct or company policy.

10 Methodology validation and review

The Administrator shall ensure that its Index methodologies:

- Take into account factors including the size and normal liquidity of the market, the transparency of trading and the positions of market participants, market concentration, market dynamics and the adequacy of any sample to represent the market or economic reality that the Index is intended to measure;
- Determine what constitutes an active market for the purposes of that Index; and
- Establish the priority given to different types of input data.

The Administrator and the BOC shall review the definition and methodology of all Indices administered by the Administrator at least annually. This will include a review of the performance, methodology and rationale of the Index, to ensure the Index continues to operate in accordance with the methodology and represent the market, strategy or economic reality which that Index is intended to measure, as stated in the methodology document.

11 Business Continuity

IHS Markit maintains a Business Continuity Management Policy (BCM Policy). In addition, each Benchmark family maintains a family specific Business Continuity Plan (**BCP**) and disaster recovery policy. The purpose of the Benchmark family specific BCPs is to provide a means of ensuring that the delivery of core services and business processes for Indices can be maintained in the event of a disaster or other disruption. These BCPs outline risks to the Benchmark family, and detail countermeasures to manage the threats posed by those risks and required responses to manage any disaster recovery situations that do occur. In particular, the BCPs outline the contingency procedures and recovery targets in the event an incident impacts either the technological or physical capability of the Administrator to determine and publish Indices. The Administrator is responsible for the annual testing and review of the family specific BCPs.

A Document Management

Document Name	IMBAUK Governance and Regulatory Compliance Overview
Document Owner	IMBA UK Management
Applies To	IHS Markit Benchmark Administration Ltd.
Approved By	IMBA UK Working Group
Supersedes	
Contact person for questions or document interpretation	Benchmark Compliance Officer at IHSM-regulatorycompliance@ihsmarkit.com
Date policy was last reviewed	January 2022

B Glossary

Term	Definition
Administrator	as defined under Article 3 of the UK BMR and in the context of this document, means IHS Markit Benchmark Administration Limited (IMBA UK), which is the UK entity authorised by the FCA responsible for the daily provision of the Indices and Benchmarks
AIR	means Annual Index Review, which is the meeting between the Administrator and the Oversight Committee taking place once a year as part of the formal consultation process around the methodology changes proposed by the Administrator
BCP	means Business Continuity Plan, which is the plan outlining procedures and instructions an organization must follow in the face of disaster
Benchmark	as defined under Article 3 of the UK BMR and in the context of this document means the Benchmarks under IMBA UK administration, which are listed on IMBA register published on the Administrator's website
Board	means the Board of Directors of IMBA UK
BOC	means the Benchmark Oversight Committee, which is the independent function overseeing the IMBA UK Board with regard to the administration of the Indices and Benchmarks
EAC	means the External Advisory Committee, which is the external governance function established by IMBA UK to ensure ongoing dialogue with and feedback from Index users
GAC	means the General Advisory Committee, which an External Advisory Committee with representation from buy-side institutions
IHS Markit	means the Administrator and its affiliates
Index	as defined under Article 3 of the UK BMR and in the context of this document means the Indices under IMBA UK administration
IOSCO Principles	means the Principles on Financial Benchmarks published by the International Organization of Securities Commissions (IOSCO) in July 2013, which can be found here
TAC	means the Technical Advisory Committee, which an External Advisory Committee with representation from sell-side institutions
UK BMR	means the the UK Benchmarks Regulation, which can be found here
UK FCA	means the Financial Conduct Authority, which is the regulatory body for financial services in the United Kingdom

Content modified: 2022-01-31T16:17:29.000+01:00

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