



IHS Markit™

IHS Markit Benchmark Administration Limited. Benchmark Methodology Changes and Cessation Policy

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Introduction

IHS Markit Benchmark Administration Ltd. (**IMBA UK** or the **Administrator**) is a Benchmark Administrator authorised by the UK FCA under Regulation (EU) 2016/1011 (the **EU BMR**). This policy describes the procedures and mechanisms that the Administrator will follow for identifying the need for and deciding upon (1) changes to benchmark methodologies or (2) the cessation of benchmarks in accordance with Article 13(1)(c) and Article 28(1) of the EU BMR respectively.

1. Benchmark methodology changes

Methodology changes to a benchmark can be triggered in a variety of ways, e.g. as part of the regular review of the benchmark methodology, on recommendation of the Board of the Administrator (the **Board**) or the Benchmark Oversight Committee responsible for oversight of administration of the benchmark or family of benchmarks (the **BOC**), on recommendation of the Index Administration Committee with responsibility for the benchmark(s) in question, or based on feedback received from users of the benchmark or other stakeholders.

Once the Administrator has been made aware of a potential need for a review of the benchmark methodology, it will perform analysis to determine whether such methodology change would be beneficial for the quality and representativeness of the benchmark, and whether it would constitute a material change. A methodology change is likely to be material if it impacts 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. Where a methodology change is beneficial and material, and where it is judged to be appropriate and proportionate, the Administrator will start a wider consultation which is addressed to all relevant stakeholders.

As part of a wider consultation on a methodology change to a benchmark, the Administrator will:

- Take reasonable steps to make registered users and other stakeholders aware of the proposed changes, the rationale for the methodology change, and proposed timing;
- Provide a clear timeframe during which stakeholders may provide feedback to the suggested methodology change. Consultations about methodology changes will generally be open for 4 weeks, except in exceptional circumstances where the Administrator decides that a shorter or longer consultation period is warranted,
- Within a reasonable time period after the consultation period has closed, make available a summary of the comments received along with the Administrator's responses, except where a commenter has requested confidentiality;
- Following the conclusion of the consultation process, make a decision on the methodology change and report it to the Board and BOC; and
- Publish a notification of the upcoming methodology change on the relevant webpage and registered users will be notified, along with adequate notice of the date on which the methodology change will take place. When setting such date the Administrator will consider the type of benchmark and the extent of its use.

2. Benchmark cessations

Situations might arise where the Administrator might consider discontinuing the provision of a Benchmark, for example given a lack of demand for the benchmark, a deterioration in data sufficiency, or changes in market structure. The Administrator will undertake any benchmark cessation in an orderly manner, taking into consideration the potential impact to users of the benchmark and market integrity.

When considering whether to discontinue or terminate a benchmark the Administrator will follow the following procedure:

- Confirm whether there are any financial instruments which reference the relevant benchmark. Other than where there are no outstanding products linked to a benchmark, the cessation of a

benchmark will require escalation to and approval by the Board. All cessations must be reported to the BOC and where there are outstanding products and instruments linked to a benchmark, the BOC must approve the cessation plan.

- Conduct a stakeholder consultation process on the proposed cessation;
- As part of any consultation process, take reasonable steps to make users and other stakeholders aware of the rationale for the termination, the content and proposed timing of the termination;
- Provide a clear timeframe during which stakeholders may provide feedback to the cessation proposal. Consultations about cessations will be open for at least 4 weeks, except in exceptional circumstances where the Administrator decides that a shorter consultation period might be warranted,
- Within a reasonable period of time after the consultation period has closed, the Administrator will make available a summary of the comments received during any consultation process along with the Administrator's responses, except where a commenter has requested confidentiality;
- If the termination of a benchmark or family of benchmarks has been approved, a notification of the decision will be published on the relevant webpages and registered users are notified, along with adequate notice of the date on which termination will take place. When deciding on the length of such period the Administrator will take into account the type of benchmark and the extent of its use.

2.2. Additional Benchmark Cessation Procedures for Critical Benchmarks

In addition to above procedures, the following applies where the benchmark being ceased by the Administrator is a Critical benchmark as defined under Article 20(1) EU BMR.

If the Administrator plans to cease the provision of a Critical Benchmark it shall (1) immediately notify its Relevant Competent Authority (the **RCA**), and (2) within four weeks thereafter submit an assessment of how the benchmarks could be transitioned to a new administrator or the benchmark is to be ceased to be provided, taking into account the procedure established according to Article 28(1) EU BMR.

The RCA will inform ESMA and, within four weeks, make its own assessment of how the benchmark could be transitioned to a new administrator or ceased to be provided. During this period of time the Administrator shall not cease the provision of the benchmark. At the end of this period the RCA has the power to compel the Administrator to continue publishing the benchmark until (1) the administration has been transitioned to a new administrator, (2) the benchmark can be ceased in an orderly fashion, or (3) the benchmark is no longer critical. This period cannot exceed 12 months. At the end of such period the RCA shall review its decision and can extend the time period by a further 12 months. The maximum period of mandatory administration shall not exceed 24 months in total.

There might be extreme circumstances where it is impossible for the Administrator to continue administering the benchmark. In these situations the Administrator will ensure it publishes back up plans and information about alternative benchmarks.

Where appropriate and possible, the Administrator might consider the provision of a parallel benchmark to facilitate an orderly transition.

3. Review

This policy is subject to at least an annual review by the Board and BOC, and also on an ad hoc basis where necessary.

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