



IHS Markit™

IHS Markit Benchmark Administration Limited Benchmark Methodology Changes and Cessations Policy

October 2020

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.

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 or product committee with responsibility for the benchmark(s), 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. Where the Administrator decides to propose a methodology change and this change is material, it will start a wider consultation which is addressed to all relevant stakeholders. It will also notify the Board and the BOC who will oversee the consultation process and can challenge the suggested approach. 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.

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 circumstances where the Administrator decides that a shorter or longer consultation period is warranted, for example where there is a small number of users, they have already been consulted and/or have requested the change;
- 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 notify the Board and BOC together with the summary of the comments received and the Administrator's responses; and
- Publish a notification of the upcoming methodology change on the relevant webpage and inform registered users, 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.

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 significant and permanent deterioration in the quality or availability of input data, 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. Where the Administrator decides to terminate a benchmark and this termination is material, it will start a wider consultation which is addressed to all relevant stakeholders. It will also notify the Board and the

BOC who will oversee the consultation process and can challenge the suggested approach. 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.

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

- Notify the Board and the BOC;
- Confirm whether there are any financial instruments which reference the relevant benchmark. Where there are outstanding financial instruments linked to the benchmark, the cessation plan requires approval by the Board and the BOC;
- Conduct a stakeholder consultation 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 circumstances where the Administrator decides that a shorter or longer consultation period might be warranted, for example where there is a small number of users, they have already been consulted and/or have requested the termination;
- Following the conclusion of the consultation process, make a decision on the cessation proposal and notify the Board and BOC together with the summary of the comments received and the Administrator's responses (which can be made available, except where a commenter has requested confidentiality); and
- If the Administrator has decided to terminate the benchmark, publish a notification of the upcoming termination on the relevant webpage and inform registered users, along with adequate notice of the date on which the cessation will take place. When setting such date the Administrator will consider the type of benchmark and the extent of its use.

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 benchmark could be transitioned to a new administrator or the benchmark is to be ceased, 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. 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.

Document Management

Policy Name	Benchmark Methodology Changes and Cessations Policy
Policy Owner	Regulatory Compliance
Applies To	IHS Markit Benchmark Administration Ltd.
Approved By	IMBA UK Board
Supersedes	Changes-Cessations-Policy-Final-28-Feb-20
Contact person for questions or policy interpretation	Benchmark Compliance Officer at IHSM-regulatorycompliance@ihsmarkit.com
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