Benchmark Regulation

FOCUS

SOCIETE GENERALE
Securities Services

■ **What is Benchmark Regulation (BMR)?**

A framework to ensure the accuracy and integrity of benchmarks produced or used in the EU

An index is any figure published or "made available to the public" and regurlarly determined

A benchmark is:

− Any index by reference to which the amount payable under an instrument/contracts, or the value of an instrument, is determined

or

− An index that is used to measure the performance of an investment fund

■ **Aims of BMR :** restore confidence in benchmarks and protect consumers and investors through greater transparency

■ **Scope of entities** :

− Benchmark Administrators

− Benchmark Contributors
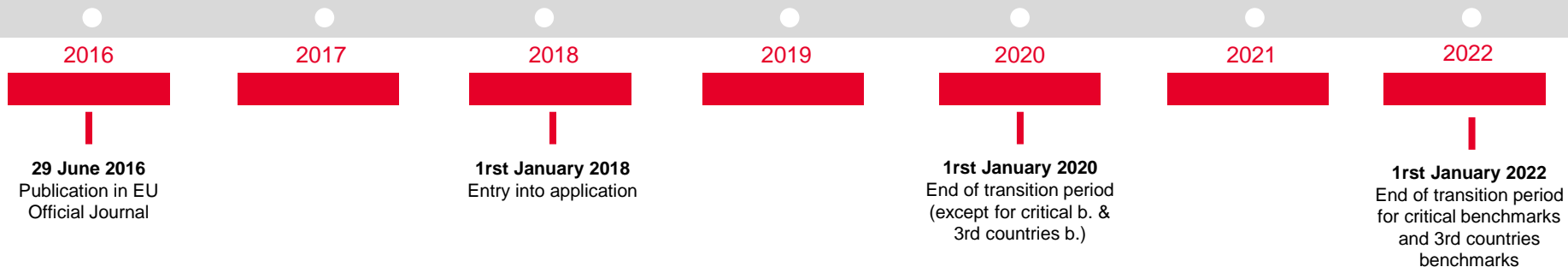
− Benchmark EU-supervised Users

■ **BMR introduces obligations** for benchmarks Administrators, Contributors and Users notably on:

− conflict of interest management

− governance and controls over the benchmark-setting process, methodologies using sufficient, accurate and representative data

■ **Categories of benchmarks**: critical, significant or non-significant (depending on the extent of their use)

■ **Transition period**:

BMR regulation applied from 1rst January 2018, with a transition period ending 1rst January 2022 (for critical benchmarks and for 3rd-countries benchmarks), and 1rst January 2020 for other benchmarks

2016	2017	2018	2019	2020	2021	2022

29 June 2016
Publication in EU
Official Journal

1rst January 2018
Entry into application

1rst January 2020
End of transition period
(except for critical b. &
3rd countries b.)

1rst January 2022
End of transition period
for critical benchmarks
and 3rd countries
benchmarks

Updated on 31 August 2020

STATEMENT

❑ Key Obligations for Administrators:
  ➢ Methodology: develop a transparent methodology, prefer transactional data and publish code of conduct regarding input data, publish a procedure in case of changes/cessation of a benchmark
  ➢ Governance: apply for registration to NCA and for benchmarks registration at ESMA, put in place robust governance, publish existing/potential conflicts of interests, set up conflicts of interest policy

❑ Key Obligations for Contributors
  ➢ Meet administrator's code of conduct of input data
  ➢ Meet governance and control rules

❑ Key Obligations for Users:
  ➢ No use of unregulated benchmarks
  ➢ Ensure that prospectus issued state that the benchmark is included in ESMA's register
  ➢ Establish contingency plans to anticipate a benchmark changes or ceases to exist and reflect them in legacy and new contractual documentation with clients in order to manage IBOR transition

FOR YOUR CONSIDERATION

❑ BMR is going to happen in parallel with IBOR transition, the transition to the alternative "Risk Free Rates"

❑ €STR first been published on 2 Oct 2019. EONIA continue to be published in the form of an €STR "tracker" until 3 Jan 2022 on D+1 (at 9.15 am)

❑ 11 October 2019: European Commission launched a consultation on Benchmark Regulation review, answers were due on 6 December 2019

❑ 9 March 2020: ESMA launched a consultation on Draft Regulatory Standards under the Benchmark Regulation, answers due on 8 June 2020

❑ 24 July 2020: Commission proposal to amend rules on financial benchmarks to ensure that when a widely used benchmark is phased out, it does not cause disruptions to the economy and harm stability in the EU

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If you want to know more, refer to Fiche BMR to know more

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