

Code of Obligations of Panel Banks (COPB)

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EONIA® GOVERNANCE FRAMEWORK

Code of Obligations of Panel Banks

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OBJECTIVES

The European Money Markets Institute (EMMI), as Administrator of the Eonia[®] benchmark, has a responsibility to set uniform standards for the Eonia[®] Panel Banks with respect to their activities in contributing data for the determination of the benchmark. These standards are defined in this document: the **Eonia[®] Code of Obligations of Panel Banks (COPB)**. The COPB is an integral component of the **Eonia[®] Governance Framework** (the Framework).

The primary objectives of the Eonia[®] COPB are:

- to ensure the integrity of the Eonia[®] benchmark by setting baseline standards for the contributions of the input data by Panel Banks;
- to define the specific obligations of Panel Banks with respect to the governance, adherence to methodologies, control environment and independent review related to data contributions;
- to assist Panel Banks to establish and maintain a robust internal control environment in order to discharge their obligations with respect to Eonia[®]; and
- to provide transparency to stakeholders regarding the standards for determination of the Eonia[®] benchmark.

1. AUTHORITY AND STATUS

1.1 Authority

The **Eonia® Code of Obligations of Panel Banks** (COPB) has been developed by EMMI and approved by the corresponding EMMI authorities as set out in the Eonia® Governance Framework.

1.2 Changes and Enhancements

The COPB will be reviewed by the authorities as set out in the Eonia® Governance Framework at least annually.

1.3 Acknowledgement of Compliance by Panel Banks

Panel Banks should confirm compliance with the Eonia® Governance Framework (including the Eonia® Code of Obligations of Panel Banks) to EMMI. If recent changes have been introduced to the Framework and a Panel Bank is not yet in compliance at the time of the annual acknowledgement, the Panel Bank should specify a reasonable timeframe by when full compliance will be achieved.

A Panel Bank experiencing difficulty in complying with a standard in the Framework should notify EMMI, detailing the reasons for non-compliance and providing relevant mitigating organizational controls or processes.

2. GENERAL OBLIGATIONS OF PANEL BANKS

2.1 Documentation of Policies and Procedures

This COPB is intended to provide direction to Panel Banks for their activities related to data contributions to Eonia[®]. Panel Banks should ensure that their associated internal policies and procedures regarding organizational arrangements, processes and control environment are fully and specifically documented, and are readily available for the independent reviews required under Section 6 of this COPB.

2.2 Co-operation with Supervisory Authorities

A Panel Bank should comply with any reasonable query from its competent supervisory authority related to its Panel Bank activities and is encouraged to co-operate with the supervisory authorities responsible for the other participants in Eonia[®] determination.

2.3 Notice Period

In order to minimize potential disruption to the determination of Eonia[®], a Panel Bank should give at least a four week notice to EMMI before voluntarily withdrawing from the Panel.

3. GOVERNANCE AND ORGANIZATION

3.1 General

Panel Banks should establish and maintain effective organizational, internal oversight and staff resourcing arrangements for their activities in contributing data for the calculation of the Eonia[®] benchmark. These activities shall include the selection of transaction data, the calculation of rate and volume, validation processes and the provision of contributions to the Calculation Agent.

These arrangements should ensure that:

- an effective organization structure is in place so that contributions are made in a disciplined and controlled fashion, in conformity with the requirements of EMMI;
- clear roles and responsibilities are assigned to the units, management and staff associated with making, overseeing and reviewing the contribution activities;
- management and staff associated with the contribution process possess sufficient knowledge and expertise for the conduct of their duties, are specifically authorized by the Panel Bank, and acknowledge their obligations;
- staff who do not perform contribution activities, but whose transactional activities are captured by the contribution process, receive an appropriate level of training on the determination of Eonia[®] and the significance of their transactional activity in this regard; and;
- potential conflicts of interest associated with Eonia[®]-related activities within the Panel Bank or between the Panel Bank and third parties, are identified, avoided or mitigated, documented and disclosed.

3.2 Organization

Panel Banks should establish an effective organization structure for the oversight, operation and control of data contributions to Eonia[®]. In general, Panel Banks will leverage their existing organization structure to accommodate the contribution activities. EMMI notes that the internal structures of Panel Banks may differ significantly from one to another and that some flexibility in the detailed application of the COPB in individual Panel Banks might be necessary.

Panel Banks should acknowledge that the ultimate responsibility for the integrity of their Eonia[®] contribution activities rests with the Bank's senior management. An effective organizational structure for the discharge of this responsibility is built upon the "three lines of defence" model. Senior management is immediately responsible for the sound and compliant conduct of contribution activities. The independent control functions, Risk Management and/or Compliance, depending on the Bank's particular organisation structure, monitor and report to senior management and the Board on the conduct of the business lines and associated support functions in

respect of the Eonia[®] contribution activities. The third line of defence, Internal Audit, reviews the overall effectiveness of the operational and control environment for the contribution activities.

As further detailed under the “Conflicts of Interest” section 3.7 of this COPB, the organizational structure used to oversee and operate the Eonia[®] contribution activities should include appropriate provisions for segregation of duties and independence of the control functions.

3.3 Roles and Responsibilities

The roles and responsibilities of the organizational units with relevant operational or oversight duties, as described above, should be clearly defined and documented. The detailed roles and responsibilities of the staff directly involved in the daily contribution process should be well-defined and properly documented in the Panel Bank’s policies and procedures.

3.4 Authorization of and Acknowledgment by Contribution Staff

The staff involved in the contribution process must acknowledge their appointments to these roles and confirm that they understand and will comply with their responsibilities with respect to the contribution process as set out in this COPB and any associated internal Panel Bank policies and procedures. Appointments and acknowledgements should be re-confirmed at least annually.

Panel Banks should establish appropriate back-up coverage arrangements from among the appointed staff.

Panel Banks must communicate the names of the authorised staff involved in the Eonia[®] contribution process to EMMI. EMMI will inform the Calculation Agent accordingly. The names of the specific staff involved for each contribution should be recorded as part of the daily record-keeping process. Any changes in the appointments should be communicated immediately to EMMI. Only the authorized staff will be allowed to provide the Eonia[®] contributions to the Calculation Agent.

3.5 Staff Training and Qualifications

Panel Banks should ensure that the staff involved in the contribution process, and staff in the relevant control and audit functions, have the knowledge and expertise necessary for the discharge of their responsibilities.

These staff should undergo appropriate training and development programs, including in the provisions of the Eonia[®] Governance Code of Conduct and COPB, associated internal controls, applicable regulations, the avoidance of conflicts of interest, the ethical standards that they are expected to observe in their respective roles, their enhanced market abuse awareness and prevention, the reporting of suspicious input data and the employment or other consequences of acting unlawfully or improperly in relation to the Eonia[®] contribution activities. Such knowledge and expertise should be subject to an annual re-assessment for purposes of verifying its continued appropriateness.

Contribution staff should have significant experience in conducting or supporting activities in the Euro money markets. They should receive specific training in relation to the methodologies and input data used in determining the Panel Bank’s contribution to Eonia[®]. While Panel Banks will typically have an automated process

to select eligible transaction data and calculate the contribution rate and volume, contribution staff should be familiar with the underlying calculation principles, transaction selection criteria, and transaction data sources.

3.6 Ethical Standards

Panel Banks should develop a set of ethical standards specifically addressing the contribution activities. Panel Banks should communicate these standards clearly to their relevant staff and require them to confirm their adherence. Panel Banks should provide training in these standards, periodic reminders, and refresher courses.

All staff associated with the operation and control of the contribution activities should act with integrity in carrying out their duties. They should not use any information that they obtain in the course of their duties in return for monetary or other rewards or for personal interest. They should not disclose such information other than in association with their prescribed duties for making the contributions.

Panel Bank staff must not attempt to inappropriately influence the contribution process in any manner including, but not limited to, manipulating, attempting to manipulate, or colluding with internal or external parties in an actual or attempted manipulation of a contribution of their own or any other Panel Bank. Panel Bank staff should, furthermore, not engage in any activity with the objective of violating any applicable regulatory requirements, Eonia[®] administrator requirements, or internal Panel Bank policies related to Eonia[®] contribution activities.

All staff should immediately report, using established escalation, including whistleblowing, channels, if they suspect that any person is engaging in any of the activities mentioned above, either currently or in the past.

3.7 Conflicts of Interest

Panel Banks should establish and maintain an effective Conflicts of Interest policy to enable them to identify potential conflicts of interest that may arise with respect to their Eonia[®] contribution activities. The broad objective of the Conflicts of Interest policy in relation to Eonia[®] contribution activities is to ensure that the contribution rate and volume data are accurate and determined in accordance with the technical specifications of Eonia[®] as defined by EMMI. Panel Banks should implement organizational structures, procedures and other measures in order to avoid or manage such conflicts.

The Conflicts of Interest Policy and associated procedures should cover at a minimum the following areas:

- **Segregation of Duties**

Potential conflicts of interest arise from a Panel Bank's roles as both a contributor to Eonia[®] and as a dealer in instruments or derivatives referencing or using Eonia[®] for valuation. To mitigate these conflicts, Panel Banks should establish clear organizational separation of employees where appropriate.

Panel Bank staff, in undertaking their respective roles in the contribution process, should have as their primary objective the making of contributions in conformity with the definition of the Eonia[®] benchmark. Specifically, since Eonia[®] is a benchmark based solely on transactions, staff responsible for making the contributions should ensure, where operationally relevant, the completeness and accuracy of the eligible set of transactions used to derive the contributed data. They should not be influenced by any financial exposures referencing Eonia[®] which

the Panel Bank carries. Certain contribution staff may be part of a Treasury function and so deal as part of their professional duties in instruments or derivatives related to Eonia[®]. As such, they have a particular responsibility to act with integrity in carrying out their respective contribution and other duties.

Contribution staff, while in their designated roles, shall not be employed by, or temporarily or otherwise assigned to, a unit within the Panel Bank responsible for dealing in Eonia[®]-related instruments or derivatives, other than the Treasury unit responsible for liquidity and liability management.

- **Remuneration Policy**

Panel Banks should design the remuneration policy for authorized members of the contribution staff to reduce any incentive to manipulate the Eonia[®] benchmark. Specifically, any direct link should be removed between the remuneration of the contribution staff, on the one hand, and the performance or compensation of units engaged in other activities from which a conflict of interest might arise.

- **Personal Account Activity**

Panel Banks should evaluate whether to incorporate provisions in internal policies in order to address conflicts of interest that the staff involved in the Eonia[®] contribution process may incur with respect to their personal financial activities.

3.8 Communications

Panel banks should establish and maintain controls on communications, both within the Panel Bank, and between the Panel Bank and third parties, including other Panel Banks and brokers, to avoid any inappropriate influence or collusive activity with respect to the contribution activities. Communications include, but are not limited to, physical documents, emails, exchanges through other electronic messaging systems, and telephone conversations. Communications also include internal exchanges between staff at the Panel Bank, and between Panel bank staff and external parties.

Panel Banks should design the physical layout of their dealing operations to separate as far as practical the location of the contribution staff from other units dealing in Eonia-related instruments and derivatives, in order to discourage improper or inadvertent communications.

4. DETERMINATION AND VALIDATION OF CONTRIBUTIONS

4.1 General Principles

Panel Banks should observe the following general principles, elaborated further in this section, in determining and validating their data contributions for Eonia[®]. Panel Banks' adherence to these principles will be evaluated as part of the independent reviews described in Section 6 of this COPB.

- Panel banks should develop the appropriate governance and control arrangements including comprehensive, structured and documented policies and procedures for determining their Eonia[®] contributions.
- Panel Banks should ensure that the transaction data selection and calculation processes used in determining contributions are subject to appropriate validation for purposes of data integrity, reliability and accuracy.
- Panel Banks should have an effective oversight mechanism regarding the process of contributing data including risk management, along with the identification of submitters or senior personnel accountable for the process (and, where appropriate, the identification of alternative procedures when a submitter is unexpectedly unavailable);
- Panel Banks should establish a clear compliance function and audit trail of all inputs in the determination of contributions, in order to facilitate subsequent reviews. The processes used for the determination of contributions should be periodically reviewed and approved by an independent Risk Management or equivalent function within the Panel Bank. This review should include the process for selecting eligible transactions in accordance with the Eonia[®] specification.

4.2 Policies and Procedures for Determining Contributions

Panel Banks should develop a systematic approach for the determination of their Eonia[®] contributions.

The specific approach adopted by each Panel Bank should be fully documented. The approach should be reviewed and approved at least annually by an independent Risk Management or equivalent function within the bank with sufficient expertise and relevant market and operational knowledge to render an informed judgment and recommendations, if any, for adjustment.

4.3 Supporting Data

Panel Banks should, on each TARGET¹ day, select all transactions eligible for the computation of Eonia[®], in accordance with the selection criteria specified by EMMI. The contribution of rate and volume should be computed in accordance with the methodology specified by EMMI.

A validation process should be in place prior to providing the contribution to the Calculation Agent in order to ensure the integrity, accuracy and completeness of the input data used in determining the contribution, particularly where manual inputs are required.

4.4 Contribution Procedures and Controls

Each Panel Bank shall, on each TARGET day, from 2 p.m. and no later than 6.30 p.m. Brussels time, report to the Calculation Agent:

- The total volume of eligible transactions for that day;
- The volume-weighted, average interest rate for these transactions.

The total volume of eligible transactions should be reported in millions of euro, rounded to the nearest million², and the average percentage interest rate should be reported rounded to three decimals (e.g. 2.123%). Rounding shall be carried out following the symmetric arithmetic rounding convention: *“half away from zero”*.

Panel Banks must report the Eonia[®] contributions to the Calculation Agent:

- to the best of their knowledge, in accordance with the Eonia[®] specification set out in the Eonia[®] Governance Framework;
- on a timely basis, within the contribution window.

The actual transmission of the Eonia[®] contributions to the Calculation Agent should be automated to the extent possible and overseen by a designated member of the contribution staff.

Where feasible, Panel Banks should limit their contributions to only one contribution per TARGET day, unless correcting an error.

The names and system identifications of the staff involved in each daily contribution should be recorded and retained.

¹ TARGET stands for Trans-European Automated Real-time Gross settlement Express Transfer System. The Eurosystem maintains TARGET2, which is the second generation of TARGET and is a real-time gross settlement system. Throughout this document, references to “TARGET” should be read with respect to the Eurosystem’s TARGET2 system.

Panel Banks should ensure that one authorized person from the contributing team is reachable by phone from 6 p.m. – 7 p.m. Brussels time to confirm or provide contributions if needed.

4.5 Support Infrastructure

Eonia® contribution is a time critical task, requiring high standards of accuracy, integrity and reliability, as well as the capability of post-contribution review. Panel Banks should develop robust infrastructure, with appropriate resiliency and automation, to support the timeliness and accuracy of contributions.

Panel Banks should also develop a contingency plan for making contributions in the event of failure, either technical or human, in their normal supporting infrastructure. This contingency plan should be advised to the Calculation Agent and EMMI in advance. Panel Banks should also undertake periodic testing of their contingency plan.

5. CONTROL ENVIRONMENT

5.1 Confidentiality and Data Protection

Panel Bank's contributions should be classified and treated as confidential, non-public, price-sensitive information. This designation should be reflected in the operating procedures and contracts adopted by the Panel Bank for the handling of such information.

Panel Banks should maintain appropriate procedures if information related to contributions is exposed to unauthorized parties, either within or outside the Panel Bank. In such cases, EMMI and competent supervisory authorities should be notified promptly, in accordance with the Panel Bank's internal policies and procedures for the exposure of confidential data.

The system(s) used for the contribution process must meet minimum security standards in order to avoid unwanted, uncontrolled changes and amendments to the contributions (e.g. personal logins, passwords, etc.).

5.2 Record Retention

Panel Banks should keep records of all relevant aspects of their activities with respect to their Eonia® contribution activities.

Records should be retained in a medium and format that makes it readily accessible for future reference. Appropriate security measures should be applied so that records cannot be changed or manipulated. Records should be furnished to independent reviewers, EMMI and competent supervisory authorities in a timely manner upon request.

Physical and electronic records should be retained for a minimum period of five years. Voice communication records (as detailed in section 5.3) should be retained for a minimum period of three years except where national legislation specifies otherwise.

Records retained by Panel Banks should include:

1. Policies and procedures relating to the governance, oversight and methodologies applied for the contribution process;
2. Reports produced from the independent review processes, including regular monitoring reports and the reports of internal and external auditors. Subsequent reports on actions taken and progress in implementing remedial actions should also be retained;
3. Records of contributions queries and complaints, and their respective outcomes;
4. Listing of the staff involved in the contribution process, including their names and general roles, with the dates when contribution-related roles were authorized or exited;
5. Record of disciplinary actions taken against any Panel Bank staff in respect of Eonia®-related activities;

6. Communications of the Panel Bank with EMMI or the Calculation Agent, which are relevant to the Eonia determination activity;
7. Daily records of Eonia[®] contributions, as well as transaction data inputs; any potentially eligible transaction which was deliberately excluded from the contribution determination; transactions used as input to the contribution but which were subsequently amended, cancelled or reversed; and
8. Daily position or risk reports for units which undertake dealing activity in Eonia[®]-referencing instruments or derivatives, showing sensitivity exposure to Eonia[®].

5.3 Recording of Communications

Panel Banks should record all communications relevant to the contribution activities.

Contribution staff should conduct all communications related to the contribution activities on the Panel Bank's recorded communications systems (email, phone or other) or on systems specifically provided by the Calculation Agent for the transmission of contributions. No communication related to contributions should be conducted in a manner to prevent the Panel Bank from recording them (e.g. by personal mobile phone or through personal emails or text messages).

Specific communications which should be recorded include those:

- among contribution staff;
- between contribution staff and internal or external third parties;
- between staff in Panel Bank units that deal in Eonia[®]-referenced instruments or derivatives and internal or external third parties.

5.4 Complaint Procedures and Whistleblowing

Panel Banks should establish, implement and enforce policies and procedures for handling complaints from internal or third parties, including EMMI and the Calculation Agent, in respect of their Panel Bank obligations or of other factors of which they become aware that may compromise the integrity of the Eonia[®] benchmark. Such complaints include those arising from internal or external whistleblowers.

The policies and procedures for handling complaints should cover at a minimum:

- the assignment of overall responsibility for complaints management to an independent function (typically Compliance);
- the operational processes to record all complaints;
- the implementation and communication to staff of a well-documented complaints and whistleblowing escalation process within the Panel Bank;

- the timely allocation of sufficient and independent staff resources to review and investigate complaints;
- the review of complaints by senior independent management, the Chief Compliance Officer or equivalent;
- the reporting of material complaints, actions recommended, and/or actions taken, to the Chief Executive Officer and/or Board of Directors;
- the reporting of misconduct and internal disciplinary proceedings to competent supervisory authorities.

The Panel Bank should inform EMMI and the competent supervisory authority without delay if the Panel Bank suspects that any person is manipulating, attempting to manipulate, or colluding in an actual or attempted manipulation of an Eonia® contribution, either currently or in the period from the Effective Date of this COPB.

6. INDEPENDENT REVIEW

6.1 General

Panel Banks should establish, implement and maintain policies for independent reviews of their compliance with Panel Bank obligations in relation to Eonia® contributions.

Such reviews should include:

- monitoring of contributions and review of the contribution process by independent Risk Management and/or Compliance functions on a regular basis;
- review by the Panel Bank's Internal Audit function at least annually;
- review by an external auditor or other expert third party within six months of the adoption of this Eonia® Governance Framework and subsequently at minimum every two years.

Reports of the findings of the reviews, recommendations and follow-up actions should be made available to senior management, including the Chief Executive Officer or delegate, and, in summarized form, to the Board of Directors.

Any material issues arising from the reviews, as determined by the senior executive responsible for the review, should be reported on a timely basis to the Panel Bank senior management so that mitigating actions can be taken. In particular, where a review uncovers material breaches or unethical behaviours in the contribution process, the Chief Executive Officer, the Board of Directors, EMMI and the competent supervisory authority should be immediately informed.

EMMI shall have the right to commission an external audit of one or more Panel Bank's Eonia® contribution activities if EMMI has reasonable grounds to believe that the integrity of the Eonia® benchmark is being compromised as a result of such activities.

6.2 Monitoring

The Panel Bank's independent Risk Management and/or Compliance functions should monitor contribution activities. Monitoring should take place on a continuous basis to ensure that the Panel Bank is undertaking contributions in accordance with the Eonia® specifications, applicable regulation and other internal controls. Breaches should be escalated to senior Panel Bank management. Material deficiencies should be reported to EMMI and competent supervisory authorities.

The Panel Bank should develop and implement analytic and exception reporting systems to facilitate such monitoring by the Risk Management, Compliance or equivalent functions. Such monitoring should include ensuring the appropriate selection of eligible transactions and identifying patterns of transactions cancellations, amendments or reversals.

Regular summary reports on monitoring should be made by the Risk Management and/or Compliance functions to the appropriate senior management Risk Committee or equivalent.

6.3 Internal Audit

The Panel Bank's Internal Audit function should review the governance, organisation, policies, procedures and operating processes relating to Eonia® contribution activities at least annually. Internal Audit may conduct such reviews as part of broader audits within the Panel Bank, but should ensure that the reviews give appropriate focus to the Eonia® contribution activities. The audit cycle should be in line with the local regulatory requirements for the coverage of the panel banks audit universe coverage.

These reviews should include compliance with the Eonia® Code of Conduct, inclusive of this Code of Obligations of Panel Banks. Random sample testing of at least three days of complete contributions, per attestation period, should be conducted. The reviews should also cover a sampling of communications with the staff involved in the contribution process.

The Internal Audit function should produce a report of each review, communicating findings as detailed in section 6.1 above.

6.4 External Audit

The Panel Bank should commission a review of the Eonia® contribution processes by an independent third-party auditor within six months of the adoption of the Code and subsequently at minimum every two years. The external review should evaluate and test that the Panel Bank's control framework and operational procedures are in line with the policies and procedures established in the COPB, as well as the contributed input data. The external audit report provided to EMMI should at minimum include an executive summary, an overall opinion of the independent auditors regarding Panel Bank's compliance with the COPB, and a summary of any issues highlighted by the independent auditors that impede compliance with the COPB.

This review may be conducted as part of the Panel Bank's regular external audit or equivalent, but should ensure that the review is appropriately focused on contribution processes and that a separate report or relevant extract of the review is produced. The review may be conducted by the Panel Bank's appointed external auditor or other party with expert knowledge of benchmark-related and audit processes. The independent auditor should provide the report of the review to the Panel Bank senior management and to EMMI. Material findings should be communicated to other parties, as detailed in section 6.1 above.

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