

# 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<sup>®</sup> benchmark, has a responsibility to set uniform standards for the Eonia<sup>®</sup> 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<sup>®</sup> Code of Obligations of Panel Banks** (COPB). The COPB is an integral component of the **Eonia<sup>®</sup> Governance Framework** (the Framework).

The primary objectives of the Eonia<sup>®</sup> COPB are:

- to ensure the integrity of the Eonia<sup>®</sup> benchmark by setting baseline standards for the contributions of the input data by Panel Banks;
- to define, on a 'comply or explain' basis, the guidelines pertaining to the governance, adherence to methodologies, control environment and independent review related to data contributions;
- to provide transparency to stakeholders regarding the standards for determination of the Eonia<sup>®</sup> benchmark.

The purpose of this 'comply or explain' set-up is, for each clause of this Code, to let a Panel Bank decide whether to adopt this Code's proposed governance arrangements, or whether a different approach at the level of the Panel Bank permits to reaching the same level of quality and robustness.

The standards set in the COPB are additional to and do not supersede any relevant legislation, regulation or other regulatory guidance applicable to Panel Banks. EMMI and the corresponding National Competent Authority should be notified of any potential inconsistency between the COPB and such legislation or regulation.



## 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 acknowledge the principles set out in the Eonia® Governance Framework and confirm compliance (on a “comply” or “explain” basis) with the Eonia® Code of Obligations of Panel Banks to EMMI.

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<sup>®</sup>. Panel Banks should ensure that their associated internal policies and procedures regarding organizational arrangements, processes and control environment are adequately documented.

### **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<sup>®</sup> determination.

### **2.3 Notice Period**

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

### 3. GOVERNANCE AND ORGANIZATION

Panel Banks should establish and maintain adequate organizational, oversight and staff resourcing arrangements for their activities in contributing data for the calculation of the Eonia<sup>®</sup> benchmark.

In particular, Panel Banks should take into account the following principles:

- › **Organisation.** Panel Banks should establish an effective organisation structure for the oversight, operation and control of data contributions to Eonia<sup>®</sup>. In general, Panel Banks will leverage their existing organisation 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.
- › **Roles and responsibilities.** The roles and responsibilities of the organisational units with relevant operational or oversight duties, as well as accountability lines, should be adequately defined and documented.
- › **Authorisation of and acknowledgement by contribution staff.** The management and staff associated with the contribution process should be identified and authorised by the Panel Bank, and acknowledge their obligations. 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<sup>®</sup> contribution process to EMMI. EMMI will inform the Calculation Agent accordingly. Only the authorised staff will be allowed to provide Eonia<sup>®</sup> contributions to the Calculation Agent.
- › **Staff training and qualifications.** Panel Banks should ensure that the staff involved in the contribution process, and staff in the relevant control functions, have sufficient knowledge and expertise for the discharge of their responsibilities. EMMI recommends that, at a minimum, training includes the Framework, relevant regulation (most notably the EU BMR<sup>1</sup> and EU MAR<sup>2</sup>), internal procedures for the reporting of suspicious input data, and consequences of acting unlawfully or improperly in relation to Eonia<sup>®</sup> contribution activities.
- › **Ethical standards.** 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. All staff should immediately report, using established escalation, including

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<sup>1</sup> EU BMR refers to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016R1011>.

<sup>2</sup> EU MAR refers to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0596>.

whistleblowing, channels, if they suspect that any person is engaging in any of the activities mentioned above, either currently or in the past.

› **Conflicts of Interest.** Panel Banks should have in place conflicts of interest policies and procedures that apply to their Eonia® contribution activities. EMMI recommends these policies and procedures to include:

- clear organizational separation of employees where appropriate;
- adequate internal oversight and verification procedures;
- the consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs
- appropriate remuneration policies; and
- controls on communications to avoid any inappropriate influence or collusive activity with respect to the contribution activities.

## 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 should develop appropriate governance and control arrangements in respect to their Eonia® contribution determination process.
- 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).

### 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 adequately documented.

### 4.3 Supporting Data

Panel Banks should, on each TARGET<sup>3</sup> 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.

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<sup>3</sup> 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.

#### 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 million<sup>4</sup>, 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<sup>®</sup> contributions to the Calculation Agent:

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

The actual transmission of the Eonia<sup>®</sup> contributions to the Calculation Agent should be 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.

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<sup>®</sup> contribution is a time critical task, requiring high standards of accuracy, integrity and reliability, as well as the capability of post-contribution review. To this end, and to the extent possible, Panel Banks should develop robust infrastructure, with appropriate resiliency and automation, to support the timeliness and accuracy of contributions.

Panel Banks should also develop contingency arrangements for making contributions in the event of failure, either technical or human, in their normal supporting infrastructure.

## 5. CONTROL ENVIRONMENT

### 5.1 Confidentiality and Data Protection

Panel Bank should have in place appropriate confidentiality policies and procedures with regard to their contributions to Eonia®.

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.

Panel Banks should retain records for an appropriate period of time. EMMI recommends that the records retained include:

- Daily records of Eonia® contributions, as well as transaction data inputs;
- Policies and procedures relating to the governance and methodologies applied for the contribution process;
- Names and roles of authorised submitters and of individuals responsible for submission and submission oversight;
- Relevant communications between submitting parties;
- Relevant communications with the administrator and the calculation agent, with particular of queries regarding data or information provided to the administrator;
- Reports produced from the independent review processes, when available;
- Records of contributions queries and complaints, and their respective outcomes;
- Declaration of any conflicts of interests; and
- Exposures of individual traders/desks to Eonia related instruments.

### 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).

#### **5.4 Complaint Procedures and Whistleblowing**

Panel Banks should have in place policies and procedures that enable adequate handling of complaints related to Panel Banks' submission activity.

Similarly, Panel Banks should have in place an effective whistleblowing mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise.

The Panel Bank should inform EMMI without delay of the existence of suspicious input data in the Panel Bank's Eonia® contribution.

## 6. INDEPENDENT REVIEW

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.

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. The audit cycle should be in line with the local regulatory requirements for the coverage of the panel banks audit universe coverage.

Reports of the findings of the reviews, recommendations and follow-up actions should be subject to appropriate escalation process. In particular, where a review uncovers material breaches or unethical behaviours in the contribution process, EMMI and the competent supervisory authority should be immediately informed.

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