



European Money Markets Institute

EURIBOR Steering Committee
Terms of Reference
EURIBOR Governance Framework

Date: 13 December 2018



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Reference to regulatory requirements

For ease of reference, next to each paragraph in all documents of the EURIBOR Governance Framework, EMMI includes an explicit mention to the applicable EU BMR requirement, e.g.

BMR 5, 3(c) *Refers to article 5, paragraph 3, point (c) in the EU BMR.*

Annex 1 *Reference to Annex 1 on interest rate benchmarks in the EU BMR.*

Furthermore, in case the requirement arises from a regulatory technical standard (RTS) developed by ESMA, EMMI refers to the RTS by indicating the article for which it provides further specification, e.g.

RTS 5, 2.1 *Refers to article 2.1 on the RTS further specifying the requirements in EU BMR article 5 on procedures and characteristics of the oversight function.*

In case the corresponding RTS includes an annex complementing its main text, reference to the annex will be made applying the same logic, e.g.

Annex 5, 1 *Refers to article 1 in the annex to the RTS article further specifying the requirements of EU BMR article 5.*

RESPONSIBILITIES OF THE EURIBOR STEERING COMMITTEE

1. Purpose

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|------------------------------------|---|
| BMR 5, 1
BMR 5, 4
RTS 5, 2.1 | 1. The EURIBOR Steering Committee is an independent committee established by the European Money Markets Institute (EMMI) that exercises an independent oversight of all aspects of the provision of the EURIBOR index, including those concerning its governance and methodology. |
| BMR 5, 2
RTS 5, 3.1(a) | 2. The procedures and governance arrangements related to the composition, duties and functioning of the Steering Committee are established in the present Terms of Reference. |
| | 3. These Terms of Reference are based on the EU BMR ¹ Article 5 ('Oversight function requirements'), Annex I (3) ('Interest rate benchmarks') and related regulatory technical standards (RTS). They have been adjusted based on the complexity and use of the EURIBOR index. |
| RTS 5, 3.1(a) | 4. These Terms of Reference form an integral component of the Governance Code of Conduct and have been adopted on 13 December 2018 by the EMMI General Assembly (hereinafter, the General Assembly), following a recommendation by the EMMI Board of Directors (hereinafter, the Board). They shall be reviewed if and when appropriate. |

2. Duties

General requirements:

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|---------|---|
| | 5. The EURIBOR Steering Committee shall ensure oversight of all aspects of the provision of the EURIBOR index, including those concerning its governance and methodology. |
| | 6. The EURIBOR Steering Committee shall promote the implementation of the Governance Framework, check compliance, monitor its effectiveness and propose changes. |
| | 7. The EURIBOR Steering Committee shall also monitor market developments. |
| Annex 5 | 8. The EURIBOR Steering Committee shall have the possibility to create sub-committee(s), working group(s), task force(s) to perform a subset of the oversight responsibilities and tasks, provided that the Chairperson remains |

¹ Regulation (EU) 2016/1011

responsible for the overall direction and coordination of the Steering Committee and for interaction with the Board and the competent authority.

- RTS 5, 3.1(j) 9. To carry out their duties, the EURIBOR Steering Committee shall be supported by EMMI's staff. The oversight function shall have direct access to the information pertinent to the proper performance of its duties and can dispose of all resources necessary to perform its tasks.

Regarding panel banks:

10. To define and review the size and composition of the panel of contributing banks, in order to ensure that the overall panel provides a representative selection of the institutions active in the euro money market.
11. To monitor the adequacy of the criteria to qualify for and stay on the panel, as defined in the Benchmark Determination Methodology (BDM), and propose, where necessary, changes to these criteria.
12. To define the procedure for selecting panel banks² and decide on individual applications according to the voting rules described in paragraph 69.
13. To monitor that panel banks satisfy the applicable requirements to qualify for and stay on the panel. For this purpose, the EURIBOR Steering Committee may, at any time, request panel banks to provide relevant data and information regarding their participation in the panel.
14. To decide on the suspension and/or exclusion of banks from the panel according to the voting rules described in paragraph 69 below.

Regarding the administrator:

- RTS 5, 2.2. 15. To assess, and where appropriate challenge, the decisions of the administrator with regards to the provision of benchmarks to ensure the fulfilment of the requirements of the EU BMR. Without prejudice of their reporting responsibilities defined in section 11 below, the EURIBOR Steering Committee shall address all recommendations on benchmark oversight to the Board of Directors.
- RTS 5, 2.3. 16. Where the EURIBOR Steering Committee becomes aware that the Board has acted or intends to act contrary to any recommendations resulting from a decision of the EURIBOR Steering Committee, it shall record this fact clearly in the minutes of its next meeting, which shall be made public. The minutes will be share with the Board of Directors prior to publication.

² The Panel Banks Application Procedure is an annex to the Code of Obligations of Panel Banks (COBP).

Regarding methodology and input data:

- BMR 5, 3(a) 17. To review the benchmark's definition and methodology at least annually and make recommendations to the General Assembly.
- BMR 5, 3(b) 18. To define what constitutes a *material change* of the benchmark, to oversee such changes and ensure that stakeholder consultation procedures concerning material changes of the benchmark are performed in accordance with the *EMMI Benchmarks Consultation Policy*.
- BMR 5, 3(b) 19. To oversee, monitor and approve the implementation of proposed changes to the benchmark.
- BMR 5, 3(d) 20. To review and recommend fallback procedures and contingency arrangements in the event that the benchmark cannot be published, as well as any procedures for the cessation of the benchmark.
- BMR 5, 3(g) 21. To monitor the input data and contributors and EMMI's actions in challenging or validating contributions of input data.

Regarding control framework, management and operation of the benchmark:

- BMR 5, 3(c) 22. To oversee the benchmark determination process and ensure it remains transparent.
- BMR 5, 3(c) 23. To oversee the administrator's control framework, management and operation of the benchmark.
- BMR 5, 3(c) 24. To enforce compliance with the *Code of Obligations of Panel Banks (COPB)* by adopting the necessary measures and sanctions available.
- BMR 5, 3(e) 25. To oversee third parties involved in the benchmark provision. In particular, to require the calculation agent to implement and operate under an appropriate control framework so that it fulfills its obligations under the *Code of Obligations of Calculation Agent (COCA)*. To monitor adherence by the calculation agent to such a framework, the Steering Committee can request information from the calculation agent and will ensure confidentiality of all non-public data supplied.
- BMR 5, 3(f) 26. To assess EMMI's internal and external audits related to the EURIBOR benchmark's governance and design, the integrity of its determination and its control framework and monitor the implementation of recommendations or remedial actions identified in those reviews.
27. To address complaints following the escalation procedure described in the *EMMI Complaints Policy*.

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- RTS 5, 3.1(i) 28. To address, without undue delay, potential failures of compliance with the *Code of Obligations of Panel Banks* (COPB) and related policies and procedures, by adopting necessary measures, and, if necessary, by reporting any irregularities, or misconduct by panel banks of which it becomes aware.
- RTS 5, 3.1(j) 29. To carry out the necessary controls (including consistency and plausibility checks), the EURIBOR Steering Committee can request information from panel banks, and will ensure confidentiality of all non-public data supplied.

Regarding sanctions

- BMR 5, 3(h) 30. The EURIBOR Steering Committee shall be the adjudication body with respect to compliance with the *Code of Obligations of Panel Banks* (COPB) and shall have the right to impose sanctions for violations of the Code. The adjudication decision and any sanctions imposed shall be recorded in the minutes of the corresponding EURIBOR Steering Committee meeting in which the issue was discussed.
- RTS 5, 3.1(l) 31. Before the EURIBOR Steering Committee takes an adjudication decision, the parties concerned shall be given due opportunity to present their arguments and provide a defence against any allegations to the Committee. If the EURIBOR Steering Committee decides to remove a bank from the panel, it will provide a written explanation for such decision to the bank concerned.

COMPOSITION OF THE EURIBOR STEERING COMMITTEE

3. Composition

- RTS 5, 1.2
Annex 5, 1
32. The EURIBOR Steering Committee is composed of a balanced representation of stakeholders, including members directly or indirectly affiliated to supervised entities that use the index, contributors and other external stakeholders, such as market infrastructure operators, as well as independent experts.
- Annex 5, 1
33. The Secretary General of EMMI shall be an *ex-officio* member of the Steering Committee with no voting rights. He/she may appoint a representative within EMMI's staff in case of absence.
- RTS 5, 1.5
34. The composition of the EURIBOR Steering Committee shall be diversified to ensure that voting members directly or indirectly affiliated to panel banks always represent a minority of its membership and voting quorum.
- RTS 5, 1.5
35. The EURIBOR Steering Committee will consist of a minimum of ten members. If the EURIBOR Steering Committee is composed of less than ten members, the Board will make best efforts to propose without undue delay to the General Assembly the appointment or replacement of members to bring the composition of the EURIBOR Steering Committee to ten members.
- RTS 5, 1.6
36. Representatives of the Board shall not be members but may be invited to attend meetings by the Chairperson as observers.
- RTS 5, 1.6
RTS 5, 3.1(c)
37. The Chairperson of the EURIBOR Steering Committee may permit one or more persons, including representatives of the Board, members of the EMMI staff and service providers, to join specific agenda items in meetings of the oversight function as guests or observers on an *ad hoc* basis, to provide their expertise and technical input on specific topics. Guests or observers may be required to sign a declaration of interest and confidentiality agreements. Guest and observers shall not have voting capacities.
- RTS 5, 3.1(e)
38. The Chairperson of the EURIBOR Steering Committee will be responsible for its overall direction and coordination and for acting as the contact point for the Secretary General, the Board and the competent authority for any issue related to the oversight function of the index.
- RTS 5, 3.1(k)
39. The Chairperson has the responsibility of welding a group of capable individuals into an effective committee. He/she will be responsible for managing any disputes within.

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46. All EURIBOR Steering Committee members should receive induction on joining the Steering Committee. Training sessions shall be organized on an *ad-hoc* basis.

5. Appointment and Revocation Rules

- Annex I, 3(a) 47. This section describes the rules and procedure for nomination or removal and replacement of EURIBOR Steering Committee members.
- RTS 5, 3.1(d) 48. The selection of potential EURIBOR Steering Committee candidates falls under the competence of the Secretary General and the EURIBOR Steering Committee Chairperson, who shall submit a list of nominations to the Board. The Board shall propose nominations to the General Assembly.
49. The appointment or revocation of EURIBOR Steering Committee members and Chairperson falls under exclusive competence of the General Assembly of EMMI and requires a majority of two-thirds of the votes.
50. The Chairperson and all other members of the EURIBOR Steering Committee are appointed for a three year mandate, which can be renewed only once. This shall not apply to the Secretary General as *ex officio* member.
- RTS 5, 3.1(b) 51. Before recommending nominations to the General Assembly, the Board shall evaluate the expertise and skills of the candidates to EURIBOR Steering Committee membership. This evaluation shall include an assessment of the candidates' profile against the criteria defined in Section 4, taking into consideration, for example, their availability due to their membership to other oversight functions. For that purpose, candidates will be required to fill in a due diligence questionnaire to demonstrate their skills, expertise, and time commitment.
- RTS 5, 3.1(d) 52. The General Assembly may revoke any members for the following reasons:
- a) The relevant supervisory or regulatory authority requests the members' removal;
 - b) The member was appointed as a representative of an organisation (e.g., benchmark submitter, benchmark user or other) and is no longer employed by such;
 - c) The member notifies his/her decision to resign from the EURIBOR Steering Committee;
 - d) The member is incapable of performing the duties of his/her position in account of physical or mental incapacity;

e) The member does not attend more than three consecutive meetings (either physical or by conference call).

- RTS 5, 3.1(d) 53. If a member is revoked, or ceases to be a member for any other reason before the expiry of his/her mandate, another member may be appointed by the General Assembly.

6. Confidentiality

- RTS 5, 3.1(n) 54. Members of the EURIBOR Steering Committee shall act in accordance with the *EMMI Confidentiality Policy*.
- RTS 5, 3.1(n) 55. Members of the EURIBOR Steering Committee shall declare adherence to the *EMMI Confidentiality Policy* at least on an annual basis.

7. Conflicts of Interest

- RTS 5, 1.2 56. Each of the EURIBOR Steering Committee members should demonstrate high standards of integrity and ethics, and be free of any relationship that, in the opinion of the Board or of the Conflict of Interest Oversight Committee, would interfere with their individual exercise of independent judgment.
- RTS 5, 1.5 57. To mitigate any potential conflicts of interest, all members are appointed on a personal basis must be independent and must not be subject to instructions from the companies or organisations to which they belong. Accordingly, each member of the Steering Committee must submit and sign a declaration of interests whereby members shall declare any relevant interests.
- RTS 5, 3.1(h) 58. At the beginning of each meeting of the EURIBOR Steering Committee, the Chairperson shall invite each member to consider the items set at the agenda and to consequentially disclose any particular interest they hold in relation thereto. Each particular interest so disclosed should be minuted and members with conflicting interest are personally responsible to recuse themselves from the discussion, deliberation and voting.
- RTS 5, 3.1(g) 59. Voting rights of members for decisions that would have a direct business impact on the organisations they represent may be suspended, either through members' recusal from a decision-making process, from a decision of the Chairperson of the EURIBOR Steering Committee or upon recommendation of the Conflicts of Interest Oversight Committee.
- RTS 5, 3.1(i) 60. Similarly, members may be excluded from specific discussions in respect of which they have a conflict of interest either through members' recusal from

the discussions, from a decision of the Chairperson of the EURIBOR Steering Committee or upon recommendation of the Conflicts of Interest Oversight Committee. The exclusion from discussion shall be recorded in the minutes of the meeting.

61. Each member of the EURIBOR Steering Committee shall commit to act in accordance with the *EMMI Conflicts of Interest Policy*.

FUNCTIONING OF THE EURIBOR STEERING COMMITTEE

8. Meetings

- Annex I, 3(b)
RTS 5, 3.1(a)
62. Meetings of the EURIBOR Steering Committees are called by the Chairperson, at least on a quarterly basis, and are attended in person or by electronic means (e.g. teleconference and/or video conference).
- Annex I, 3(b)
RTS 5, 3.1(a)
63. The Steering Committee promptly publishes the minutes of its meetings on EMMI's website after approval by its Chairperson and members.
64. The Secretariat to the Steering Committee is provided by EMMI.

9. Decisions and votes

- RTS 5, 1.5
65. The EURIBOR Steering Committee cannot deliberate and execute its responsibilities, tasks, and rights unless half of its members are present. The presence of non-panel bank members in a meeting shall be strictly higher than that of members directly or indirectly affiliated with panel banks.
66. Each member of the EURIBOR Steering Committee has one vote. Decisions will be taken by a simple majority of votes of the members present at meetings. In case of a tie vote, the Chairperson has a casting vote.
67. Abstention votes are computed for the presence quorum but not for majority threshold.
68. If the presence quorum and/or the majority of the votes cannot be obtained at a first meeting, a second meeting may be convened at the request of at least two members of the Steering Committee. This shall be organized within two weeks after the first meeting, so that a final decision may be taken.
69. The exclusion or inclusion of a panel bank can only be decided if two-thirds of the members are present or represented at the meeting, and this decision is approved by a qualified majority of two-thirds of the votes.

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70. Any member of the Steering Committee who is prevented from attending a Steering Committee meeting (physically or by conference call) may arrange to be represented by another Steering Committee member, to whom he/she shall give a written proxy, by fax or email. Each member of the Steering Committee shall however not have more than one proxy. The number of votes in favour, against and abstentions shall be systematically recorded in the minutes of the meetings.
71. In exceptional circumstances, and whenever urgency and EURIBOR's interests so justify, the Steering Committee may resolve by means of written resolution. For a written resolution to be valid, votes must be clearly expressed and decisions taken by a simple majority, unless specified otherwise in these Terms of Reference.

10. Information sharing with the Board of Directors

- RTS 5, 3.1(a) 72. The minutes of Steering Committee meetings shall be shared with the Board of Directors promptly after the meeting.
- RTS 5, 3.1(a) 73. Notwithstanding paragraph 43, members of the Board shall be invited to attend EURIBOR Steering Committee meetings following a rotation system. The member of the Board attending a meeting shall report to the Board at their following meeting.
- RTS 5, 3.1(a) 74. The Chairperson of the EURIBOR Steering Committee shall be invited by to Board for a general discussion on the functioning of the Steering Committee at least on an annual basis.

11. Reporting responsibilities

- RTS 5, 3.1(a) 75. The Chairperson of the EURIBOR Steering Committee shall present a report to the Board on its activities on an annual basis.
- BMR 5, 3(i)
RTS 5, 3.1(m) 76. The EURIBOR Steering Committee shall report to the relevant competent authority any misconduct by contributors, or EMMI, of which the Steering Committee becomes aware, and any anomalous or suspicious data.

12. Self-assessment

77. The EURIBOR Steering Committee shall, at least every two years, review its own performance, constitution and Terms of Reference. It shall evaluate if it is operating at maximum effectiveness and recommend for approval, by the

Board and the General Assembly, any changes it deems necessary or that may be required by laws and regulations.

78. Reviews will, among others, address the general functioning of the EURIBOR Steering Committee, its competences, composition and size, individual and collective efficiency and effectiveness of activities, interactions with the Secretary General, the EMMI staff and the Board.
79. Reviews shall be performed, among others, by means of anonymized self-assessment questionnaires set by EMMI's Corporate Governance Risk & Controls Unit and/or an independent reputable third-party appointed by the Board. The result of this assessment shall be discussed during a dedicated session of the EURIBOR Steering Committee. Minutes will be drawn of the conclusions of this assessment, as well as of the measures taken in order to improve the functioning of the EURIBOR Steering Committee, and subsequently shared with the Board.