



Benchmarks Changes and Cessation Policy

History

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1. Introduction

The European Money Markets Institute (EMMI) adopted a Transition Policy on **14 May 2015**. The Transition Policy was reviewed and replaced by this Benchmarks Changes and Cessation Policy (hereinafter “the Policy”), adopted on 31 January 2019. This Policy applies to all EMMI benchmarks. EMMI will review this Policy at least every two years, consult the relevant Oversight Committee(s) and recommend changes to the Board of Directors, where appropriate.

2. Objective

Article 28 of the Benchmark Regulation stipulates that an administrator shall publish a procedure concerning the actions to be taken by the administrator in the event of changes to or the cessation of a benchmark. In that respect, EMMI has developed this Policy, covering for:

- the event of material changes¹ to the methodology
- the discontinuation of individual benchmark tenors
- the temporary suspension and the permanent cessation of one or several of its benchmarks.

This Policy applies to scenarios that may affect the calculation and publication of EMMI's benchmark(s) and may lead to a temporary suspension or permanent discontinuation, including but not limited to:

- Changes in the underlying markets which render the benchmark less relevant or impede its accurate calculation;
- Contingency scenarios that cannot be remediated within a reasonable timeframe, such as low panel participation or reduced availability of input data;
- A request by EMMI's supervisor to change the methodology of either of its benchmarks;
- EMMI's supervisor suspends or withdraws its authorisation

A material change (as defined in the Benchmarks Consultation Policy under 3.2.a) for an individual benchmark or set of benchmarks includes but is not limited to the following cases:

- any change in the type of input data (e.g. counterparty types);
- fundamental changes to the determination methodology (e.g. elimination or addition of waterfall levels);
- a change to the maturities in which a benchmark is published; or
- a change related to a potential discontinuation of a benchmark, including transition arrangements to a new benchmark;
- a change that impacts the ability of a stakeholder to use the benchmark in the established manner.

The determination of materiality of a change shall rest with the corresponding benchmark Oversight Committee. EMMI may also undertake consultations for other changes should the corresponding benchmark Oversight Committee so recommend.

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3. Guiding Principles

Whenever EMMI plans to change, suspend or permanently discontinue either of its benchmarks, it should be guided by the following principles:

- Key stakeholders such as data providers, end-users, public authorities, and market infrastructures should be considered and consulted, where appropriate and feasible;
- A change, suspension or cessation of a benchmark should minimise the impact on financial markets;
- The economic and financial impact that may result from changes or the cessation of an EMMI benchmark should be duly considered and recognised;
- Subscribers and stakeholders who have financial instruments that reference one or more of EMMI's benchmarks should be encouraged to both implement robust fall-back provisions in appropriate contracts and documentation in the event of cessation or material changes and make end-users aware of the risks of such cessation or modification.

4. Design and implementation of a change or cessation plan

In the event of a material change, the suspension or the permanent discontinuation of an EMMI benchmark or any of its tenors, EMMI should consider the following key elements, when appropriate and feasible, when it designs and implements its change or cessation plan:

Adequate advance notice – EMMI shall give stakeholders and end users adequate notice to allow for the identification and implementation of alternative arrangements, amendments to contractual documentation and adherence to regulatory and industry benchmark governance and design standards. When assessing the timing, consideration should also be given to urgency, if any, of changing or ceasing to provide the benchmark. EMMI shall also address scenarios where no alternative benchmark is identified, and contingency arrangements will have to be adopted as a temporary substitute.

Materiality of the change – The change or cessation plan design will be based on one of three scenarios:

- (a) where the alternative benchmark can be considered as an evolution of the benchmark;
- (b) where the alternative benchmark has marked distinct features relative to the benchmark; and
- (c) a controlled “wind-down” path where no alternative benchmark can be identified.

Interim Arrangements – If deemed necessary, EMMI shall develop robust procedures and practices to ensure that the determination of the benchmark is continued over an interim period in order to permit existing contracts to migrate to an alternative benchmark if necessary.

Legal, Regulatory, Accounting, and Tax Implications – When announcing a change or a cessation of a benchmark, EMMI should remind stakeholders and end-users that they need to give consideration, when identifying feasible alternative benchmarks, to the legal risks involved in transition, including contract frustration, and the accounting and tax implications for end-users of transition to an alternative benchmark.

Infrastructure Requirements – EMMI shall duly consider the technical requirements associated with a change of either of its benchmarks and/or a transition to alternative benchmarks. Additionally, internal systems at panel banks, data vendors and other stakeholders may need to be adapted to accommodate the relevant changes and/or transitions.

Role of the Official Sector and Relevant Stakeholders – The role of the official sector, including governments, regulators and corresponding international public sector bodies should be considered when mitigating the risks associated with benchmarks change(s) or cessation. Additionally, relevant third parties should be incorporated into the planning, design, and implementation phases to aid the development of third party tools that may reduce transition risk, such as market protocols.

5. Stakeholder Consultation

EMMI shall engage stakeholders and end-users as early as possible, in the event a change or the cessation of the benchmark, or one of the tenors where applicable, appears likely. The stakeholder consultations will be conducted in line with the EMMI's Benchmarks Consultation Policy.

Consultations may be held during the planning, design, review, and implementation phases of the benchmark change(s) or cessation.

Consultation topics may include proposed changes in the methodology of the benchmarks, the selection of alternative benchmarks, differentiated impact assessments, transition durations and provisions for the maintenance of the benchmark during any interim transition period.

6. Authority

In accordance with the relevant Terms of Reference, the relevant Oversight Committee(s) will oversee, monitor and approve the implementation of proposed changes to the benchmark. The relevant Oversight Committee(s) will also 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.

In the event that a change or a permanent suspension of the benchmark should be foreseen, after the outcome of a stakeholder consultation, the final decision should be taken by EMMI's Board of Directors upon recommendation from the relevant Oversight Committee(s). Once a plan for a change/cessation or final decision is taken by the Board of Directors, such decision shall be publicly communicated at the earliest convenience.