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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MR/03/2016

Madrid, 26 February 2016

IOSCO issues Second Review of Implementation of Principles by IBOR Administrators

The International Organization of Securities Commissions today published its report on the *Second Review of the Implementation of IOSCO's Principles for Financial Benchmarks by Administrators of EURIBOR, LIBOR and TIBOR.*

The report sets out the findings of the second review of the implementation of IOSCO's Principles for Financial Benchmarks by the administrators of the benchmarks collectively known as the IBORs: the Euro Inter-Bank Offer Rate (EURIBOR); the London Inter-Bank Offer Rate (LIBOR); and the Tokyo Inter-Bank Offer Rate (TIBOR). It was prepared by a Review Team, constituting members of the IOSCO Board-level Task Force on Financial Market Benchmarks and the IOSCO Assessment Committee.

The report is a follow-up to IOSCO's first review, which was published in July 2014 and contained remedial recommendations for the three administrators intended to strengthen their implementation of the Financial Benchmark Principles. The 19 Principles were published in July 2013 with a view to be implemented by benchmark administrators and submitters and to promote the reliability of benchmark determinations. The Second Review sets out the IOSCO findings into the direction of travel taken by the administrators towards implementing the recommendations of the first review.

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The second review found that all three administrators have been proactively engaged in addressing the issues raised by the first review, which had found an important distinction between the progress made on implementing the Principles related to the quality of the benchmark and that on implementing the Principles related to governance, transparency and accountability.

In regard to the Principles on governance, transparency and accountability, the second review found that a majority of the recommendations made by the first review had been implemented by the administrators. The review saw evidence that all the administrators had developed and improved their policies and procedures in a number of areas including conflicts of interest, consultation with stakeholders and internal oversight.

In regard to the Principles related to the quality of the benchmark, the second review found that all three administrators are in the process of conducting work to evolve the three benchmarks to further anchor them in transactions. IOSCO notes that the most part of this work is at the stage of planning and consulting and the level of implementation of the relevant Principles will depend on the outcome of the planned work, rather than the plans themselves. Administrators are encouraged to ensure that the outcomes of their plans are in line with the Principles. Furthermore, implementation of Principles relating to the quality of benchmark should not be seen as a one-off process and Principles such as benchmark design must continue to be responsive to changes in methodology and the market for the underlying interest.

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The second review makes recommendations for each administrator aimed at strengthening the implementation of the Principles. As the majority of the recommendations from the first review have been implemented or are subject to on-going work related to the evolution of the benchmarks, IOSCO does not recommend a follow up review. Relevant national authorities are expected to monitor the progress made by the three administrators to implement the recommendations of the second review.

David Lawton, of the UK Financial Conduct Authority and Chair of the Task Force on Financial Markets Benchmarks, said: *“We welcome the significant work done in response to the recommendations of the last IOSCO review. This second Report coincides with consultations on plans for further evolution of major interest rate benchmarks such as Euribor, Libor and Tibor. We look to administrators to ensure that the outcomes of these plans are in line with the expectations of the IOSCO Principles.”*

Steven Bardy, of the Australian Securities and Investments Commission and Chair of the Assessment Committee, said: *"Reviews of implementation, like this one, provide very useful information to the relevant administrators, the users of their Benchmarks, and to the market more generally, about the progress being made in improving governance, quality and accountability in Benchmark setting. Implementation monitoring has now become a key part of what IOSCO does and is of great value to all of our stakeholders".*

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates

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more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.

3. The Growth and Emerging Markets (GEM) Committee is the largest Committee within IOSCO with 97 members, representing almost 80% per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.

4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order

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to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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