



IHS Markit™

IHS Markit - Benchmark Administration Oversight Committee

July 18

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Operation of the Benchmark Oversight Committee

Frequency of Meetings and Minutes

The IHS Markit Benchmark Oversight Committee (the “**BOC**”) performs the role of oversight function, as required under the European Union Regulation on benchmarks (“**BMR**”). The BOC will meet at least quarterly. At each quarterly meeting, the staff and management of IHS Markit Benchmark Administration Limited (the “**Administrator**”) shall disclose all relevant information relating to administration of the benchmarks over the previous quarter (including but not limited to the items listed below in “Remit of the Benchmark Oversight Committee”) as well as any known and material facts relevant for the upcoming quarter. Triggers for out-of-cycle meetings of the BOC include, but are not limited to, the following:

- Cessation of a benchmark;
- Material changes to a benchmark methodology;
- Suspected misconduct by contributors or administrator;
- Regulatory developments;
- Creation/launch of new benchmark(s); or
- Request of benchmark product team for ad hoc meeting of the BOC.

Minutes shall be produced by an employee of the IHS Markit group who is not actively involved in the operation of the BOC. Minutes will be reviewed and approved by the BOC as soon as reasonably practicable following a meeting.

Interaction with the Board of IHS Markit Benchmark Administration Limited

The BOC is charged with assessing, and where appropriate challenging, decisions of the Board with regards to provision of benchmarks in accordance with BMR and will address all recommendations on benchmark oversight to the Board.

Where the BOC becomes aware that the Board has acted or intends to act contrary to any recommendations resulting from a decision of the BOC, it shall record this fact clearly in the minutes of its next meeting. In order to facilitate this, the Board must inform the BOC where it acts or intends to act contrary to any recommendations made by the BOC.

The template agenda in Appendix 2 is a non-exhaustive list of items the Board should ensure are discussed with the BOC.

On an annual basis, and ad hoc as necessary, the BOC shall report to the following bodies within the IHS Markit group:

- The Board of Directors of the Administrator (the “**Board**”);
- The IHS Markit Group Audit and Risk Committee; and
- Any other management group/body the BOC deem appropriate.

Composition of the BOC and Quorum

The BOC shall have at least five **voting members**. Voting members should not be directly involved in or have an interest in the determination of the benchmarks and so should be IHS Markit employees from areas of the business other than benchmark administration. If appropriate, external independent voting members may be appointed, and the BOC members will consider this as appropriate.

Non-voting members will also be invited to attend in order to provide reports, updates, expertise and other information to the BOC. These non-voting members will primarily be drawn from management and staff of the Administrator.

Observers, for example external stakeholders, may be invited or permitted to join a meeting of the BOC if the BOC vote to allow such attendance (simply majority vote will suffice).

The Oversight Function will have a Chairperson and Deputy Chair. The BOC will also appoint a Secretary (who will be considered an Observer).

Criteria to Select Voting Members (inc External Members), Non-Voting Members and Observers

The five voting members of the BOC will be drawn from the areas such as the following:

- Compliance;
- Regulatory Affairs;
- Markit Pricing (contributor);
- Legal; and
- Risk Management.

Voting members should not be individuals who are directly involved in the provision of a benchmark. The BOC is an essential tool for managing conflicts of interest and in order to ensure the integrity of the function persons that have been sanctioned (either civil or criminal) for breach of financial services-related laws are prohibited from becoming members of the BOC.

Should the Board or the BOC decide to appoint an external independent voting member, the Board and the BOC together will consider appropriate applicants on the basis of experience, expertise and independence.

Non-voting members will be drawn from individuals who are involved in the provision of benchmarks (including staff of the Administrator and representation from the Board of the Administrator).

Election, Nomination, Removal and Replacement of BOC Members

New members may be nominated by the Board or the BOC. The BOC will take an initial vote on election of any proposed new member. If the BOC votes in favour (by simple majority of all voting members) the Board of the Administrator will ratify the appointment. Nominations, votes and ratification of new BOC members can be done in writing or by way of minuted meeting.

Voting members of the BOC are required, on appointment, to sign an appointment letter substantially in the form contained in Appendix 1.

Members of the BOC may resign with reasonable notice. Members of the BOC can be removed by unanimous agreement of all other voting members. Where a member resigned or is removed, a replacement will be appointed as soon as possible.

Members of the BOC should have experience and expertise in at least one of the following areas:

- Compliance;
- Risk Management;
- Legal;
- Financial markets; or
- Corporate governance.

In addition, members of the BOC should be familiar with the requirements of the BMR and how those relate to the benchmark determination process. BOC members should also have access to input from the Regulatory Compliance Officer. Individuals nominated or selected for membership of the BOC should also ensure they have read this document and confirm that they can meet the time commitments required.

These Terms of Reference will be published on the IHS Markit website, along with a summary of the voting members of the BOC. In addition, any conflicts of interest declared by voting members of the BOC will be published, along with any relevant mitigating measures.

Declaration of Conflicts of Interests – General and Agenda Item Specific

All BOC members are subject to general conflicts of interest disclosure rules, as contained in the IHS Markit Conflicts of Interest Policy (including obligation to annually complete the Disclosure Form in that policy).

In addition, all voting members are further required to recuse themselves from any specific BOC agenda item where a conflict is real or may be perceived (such conflict to be noted in the minutes of the meeting). In the event a voting member needs to be recused from a specific agenda item, the BOC, the Board and Regulatory Compliance Officer shall consider the suitability of that individual to continue to serve on the BOC. All non-voting members must also disclose any conflicts of interest at the outset of all BOC meetings and these disclosures must be recorded in the minutes.

Access to Documentation

The BOC will have unfettered access to documentation and data required to discharge its obligations. Access will be granted by the Administrator and, to the extent relevant, by other entities within the IHS Markit group. Rights of access will be documented in contractual arrangements.

Remit of the Benchmark Oversight Committee

Overall Oversight

The BOC is responsible for the overall oversight of and challenge to the Administrator. The Board of the Administrator is accountable to the regulator and the BOC shall report to the Board of the Administrator as frequently as necessary (and at least annually) to enable the Administrator to fulfil its obligations.

In order to assist the BOC discharge its obligations of oversight and challenge of the Administrator, it is able to utilise resources from other teams including Compliance and Information Security.

Benchmark Methodologies

The BOC shall, in accordance with its Terms of Reference, review the definition and methodology of all benchmarks administered by the Administrator at least annually, and with such other frequency as the BOC determines necessary. This will include a review of the performance, methodology and rationale of the benchmark, to ensure the benchmark continues to operate in accordance with the methodology and represent the market, strategy or economic reality which that benchmark is intended to measure, as stated in the methodology document.

The BOC's review of the methodology is intended to ensure that the methodology is:

- Robust and reliable;
- Subject to clear rules and in particular rules around how and when discretion may be exercised in the determination of that benchmark;
- Rigorous and capable of validation; and

- Resilient enough to enable the Administrator to operate the benchmark in the widest set of market conditions without compromising the integrity of the determination process.

Conflicts of Interest

The BOC is responsible for ensuring that it, as the oversight function, is free of conflicts of interest or has mitigated any conflicts that exist. The BOC will also challenge the Administrator's approach to managing and monitoring conflicts of interest that may exist in the IHS Markit benchmark products. In addition, Regulatory Compliance will conduct an annual review to ensure that both the BOC and Administrator remain structurally free of conflicts of interest.

Control Frameworks

Each benchmark family has a documented control framework and the Administrator is responsible for ensuring that the control framework is followed and is updated as necessary, reporting on a no less than annual basis to the BOC on the overall operation of the control frameworks.

Accountability Framework

The BOC is accountable to the Board of the Administrator in respect of the "Accountability Framework", in particular for ensuring the Accountability Framework is followed and updated periodically. The Accountability Framework covers such requirements as record keeping, audits/reviews and complaints.

Complaints Handling Process

The BOC has instructed IHS Markit's Regulatory Compliance Officer to oversee and enforce the IHS Markit Benchmark Administration Complaints Policy. In accordance with that policy, the Regulatory Compliance Officer will report any formal complaints to the BOC as soon as possible.

Monitoring & Reporting of Infringements

The BOC has instructed the Regulatory Compliance Officer to ensure swift reporting to IHS Markit's regulators whenever there is suspected misconduct in respect of a benchmark product. The Administrator will in the first instance raise such concerns with the Regulatory Compliance Officer.

Contributor Code of Conduct

The Administrator is responsible for the day to day operation and enforcement of the Contributor Code of Conduct. To the extent there is a dispute or concern, the Administrator should consult with the Regulatory Compliance Officer in the first instance. The Administrator will report to the BOC, no less frequently than annually, on the operation and enforcement of the Contributor Code of Conduct, and will report to the BOC as necessary any identified breaches of the Contributor Code of Conduct, which the BOC will consider at meetings as it considers appropriate. The BOC will be responsible for overseeing any remedial action to be undertaken as a result of any breaches of the Contributor Code of Conduct.

Benchmark Statement(s)

The Administrator and the Regulatory Compliance Officer are responsible for ensuring Benchmark Statements are published and maintained. The BOC will be advised of any material changes to the Benchmark Statements. At least annually the Administrator will attest to the BOC that the Benchmark Statements are published and accurate.

Regulatory Authorisation(s)

The Administrator will remain responsible for its regulatory authorisation however the BOC will be accountable to the Administrator for fulfilling its role of oversight and challenge in line with the BMR. The Regulatory Compliance Officer will be responsible for leading the authorisation process and managing the ongoing relationship with the regulator.

IT - Operations

The Administrator is responsible for ensuring that the IT requirements of the benchmarks are met. This includes an ongoing assessment of the operational risk involved in the benchmark products. The BOC will be consulted on material concerns or changes to the IT infrastructure supporting the benchmarks.

Business Continuity

The Regulatory Compliance Officer will, at least annually, require the Administrator to test its Business Continuity and Disaster Recovery processes. The BOC will receive confirmation that the Administrator has appropriately tested such processes and will review any findings.

Record Retention

The Administrator is responsible for ensuring all appropriate records are retained for at least 5 years. The Administrator will work with the Regulatory Compliance Officer and IHS Markit IT Services to review the arrangements at least annually, and will report to the BOC on the results of such review.

Inventory Management

The Regulatory Compliance Officer owns the golden copy of the Administrator's benchmark inventory. The Administrator is responsible for ensuring the Regulatory Compliance Officer is advised of any changes or proposed changes to the inventory as soon as possible. On an at least quarterly basis, the Regulatory Compliance Officer and the Administrator will conduct an accuracy review of the inventory. At least annually, the inventory will be presented to the BOC for review.

Where a new benchmark family is due to be launched, or existing benchmark family terminated, the Administrator will seek approval from the BOC prior to launch or termination. Should the Administrator wish to launch or terminate benchmarks within an existing family, the BOC should be advised retrospectively at the next scheduled meeting of the BOC.

ABOUT US

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

CONTACT US

For more information, including methodology documents please visit <https://ihsmarkit.com/products/indices.html> or contact us at indices@ihsmarkit.com

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