

CONSULTATION POLICY

Introduction

1. ICE Benchmark Administration Ltd (IBA) was set up to administer systemically important benchmarks. We currently administer the following benchmarks regulated by the UK's Financial Conduct Authority (FCA):
 - ICE LIBOR - the primary benchmark for short term interest rates globally, it is written into standard derivative and loan documentation, such as the ISDA terms, and is used for an increasing range of retail products such as mortgages and student loans. It is also used as a barometer to measure the health of the banking system and as a gauge of market expectation for future central bank interest rates. ICE LIBOR is the basis for settlement of interest rate contracts on many of the world's major futures and options exchanges
 - ICE Swap Rate - the principal global benchmark for swap rates and spreads for interest rate swaps, it is used as the exercise value for cash-settled swaptions, for close-out payments on early terminations of interest rate swaps, for some floating rate bonds and for valuing portfolios of interest rate swaps, and
 - the LBMA Gold and Silver Prices – the benchmark prices for gold and silver respectively, widely used across the globe by participants such as producers, consumers, investors and central banks.
2. IBA is authorised and regulated by the FCA and is required to comply with the FCA's rules for benchmark administrators. In addition, IBA has been formally assessed in respect of ICE LIBOR against the IOSCO Principles for Financial Benchmarks¹; IBA is one of only four entities to have been assessed by IOSCO itself.
3. IBA combines robust regulatory and governance frameworks with advanced technology to ensure that we administer benchmarks to the highest standards. Our governance includes an independent Board with a majority of Independent non-Executive Directors as well as a number of Oversight Committees which provide us with an independently expert perspective.
4. Typically we design evolutionary enhancements to our benchmarks. It is therefore important for us to gain feedback on proposed changes where they are material to the benchmark.
5. This paper outlines IBA's approach to consultation.

¹ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

IOSCO Principles for Financial Benchmarks

6. IOSCO's Principles for Financial Benchmarks in July 2013 to set global standards for the administration of benchmarks. Specifically, IOSCO sought to articulate policy guidance and principles for Benchmark-related activities that would address conflicts of interest in the Benchmark-setting process, as well as transparency and openness when considering issues related to transition.
7. Principle 12 (Changes to the Methodology) states that:

"The Administrator should develop Stakeholder consultation procedures in relation to changes to the Methodology that are deemed material by the oversight function, and that are appropriate and proportionate to the breadth and depth of the Benchmark's use and the nature of the Stakeholders. Procedures should:

 - a) Provide advance notice and a clear timeframe that gives Stakeholders sufficient opportunity to analyse and comment on the impact of such proposed material changes, having regard to the Administrator's assessment of the overall circumstances; and
 - b) Provide for Stakeholders' summary comments, and the Administrator's summary response to those comments, to be made accessible to all Stakeholders after any given consultation period, except where the commenter has requested confidentiality."
8. IOSCO further states that:

"These procedures should clearly define what constitutes a material change, and the method and timing for consulting or notifying Subscribers (and other Stakeholders where appropriate, taking into account the breadth and depth of the Benchmark's use) of changes."
9. IBA defines what constitutes a material change as any change which would require updating the published methodology. Changes which do not require an update to the published methodology are considered non-material.
10. Material changes are subject to approval by IBA's President after consulting with the Oversight Committee, and are documented accordingly.
11. Non-material changes are subject to approval by IBA's President in consultation with the Benchmark Administration Manager and COO, and are documented accordingly.

Consultation process

12. IBA consults publicly from time to time on proposed material changes in relation to benchmarks we administer.
13. In conjunction with the relevant Oversight Committee, IBA prepares a consultation paper after careful consideration of the following points:
 - any regulatory or legal obligations of the benchmark administrator or of benchmark submitters or users which the proposals are designed to meet
 - any other regulatory implications of the proposed changes
 - any legal implications of the proposed changes, including any potential consequences for the continuity of existing contracts

- any IT implications of the proposed changes
 - any customer implications of the proposed changes
 - any changes to processes and procedures (for example, the surveillance processes)
 - any other implications of the proposed changes, for example: risk; budgetary; operational cost, etc
 - whether the proposals are clearly articulated and give a balanced view of the likely implications
 - whether feedback questions are clear and unambiguous
 - whether the consultation period is sufficient
 - how consultation responses will be analysed and what criteria will be used in evaluating them, and
 - who will be able to access the consultation responses.
14. Consultation papers are reviewed and agreed by the relevant Oversight Committee, and/or the IBA Board as appropriate before publication or circulation. IBA typically also shares a consultation paper with the FCA before publication.
 15. IBA publishes consultation papers on its website and invites interested parties to comment on the proposals by a specified date.
 16. When the consultation period closes, IBA prepares a detailed analysis of responses for internal use, circulating it as appropriate to the relevant Oversight Committee and the IBA Board.
 17. IBA publishes a feedback statement summarising responses but excluding points made by a commenter who has requested confidentiality. The feedback statement is reviewed and agreed with the relevant Oversight Committee before publication.
