



## ***ICE BENCHMARK ADMINISTRATION***

# **LIBOR CODE OF CONDUCT**

## **ISSUE 6**

Date of issue: 9 February 2019

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# **1. INTRODUCTION**

## **1.1 Purpose**

In this LIBOR Code of Conduct (“LIBOR Code” or “Code”), ICE Benchmark Administration Limited (“IBA”) sets out the framework within which LIBOR Contributor Banks are expected to operate.

The Code should be read in conjunction with Article 15 of the EU Benchmarks Regulation (“BMR”) which states that,

“Where a benchmark is based on input data from contributors, its administrator shall develop a code of conduct for each benchmark clearly specifying contributors’ responsibilities with respect to the contribution of input data and shall ensure that such code of conduct complies with this Regulation. The administrator shall be satisfied that contributors adhere to the code of conduct on a continuous basis and at least annually and in case of changes to it.”

The Code should also be read in conjunction with the governance and control requirements for supervised contributors in Article 16 of the BMR and its Annex 1 which sets out specific provisions for interest rate benchmarks. These obligations are directly applicable to the LIBOR panel banks since they are contributors of input data to LIBOR in the context of the BMR.

The Code may also assist users of the benchmark in deciding whether LIBOR is an appropriate benchmark for them to use in contracts.

## **1.2 Background**

ICE LIBOR (“LIBOR”) is the world’s most widely used benchmark for short term bank borrowing rates. The benchmark indicates the interest rate that banks pay when they borrow on an unsecured basis. It is fundamental to the operation of both UK and international financial markets, including markets in interest rate derivatives contracts. IBA became the administrator of LIBOR in early 2014.

LIBOR provides the average rate at which a LIBOR panel bank could obtain unsecured funding for a given period in a given currency.

LIBOR is classified as a Critical benchmark under Article 20 of the BMR.

A benchmark is Critical if it is used as a reference for Financial Instruments or Financial Contracts or for measuring the performance of Investment Funds with a total value of at least:

- EUR 500 billion and the majority of Contributors are located in one EU Member State;  
or
- EUR 400 billion and does not exceed EUR 500 billion, where the benchmark has no or very few appropriate market-led substitutes, and has a significant impact in one or more EU Member State.

Article 18 of the BMR refers to the applicable requirements for interest rate benchmarks, stating that:

“The specific requirements laid down in Annex I shall apply to the provision of, and contribution to, interest rate benchmarks in addition to, or as a substitute for, the requirements of Title II”.

In addition, Regulation (EU) 2018/1639<sup>1</sup> specifies the elements that a benchmark administrator should include in a code of conduct, in order to ensure both consistent behaviour by contributors and input data of the quality, accuracy and quantity needed by the methodology used to determine the benchmark.

### **1.3 Issue 6 of the LIBOR Code of Conduct**

This Code is structured to follow the applicable requirements:

- Governance and control requirements for supervised contributors (Article 16 BMR)
- BMR Annex I requirements for contributor systems and controls (Annex I), and
- BMR code of conduct requirements (Regulation (EU) 2018/1639).

### **1.4 FCA Handbook**

Contributor Banks are also subject to the FCA Handbook, and should read this Code in conjunction with any requirements in the FCA Handbook that apply to the benchmark contribution activities.

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<sup>1</sup> Commission Delegated Regulation (EU) 2018/1639 of 13 July 2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council with regard to regulatory technical standards specifying further the elements of the code of conduct to be developed by administrators of benchmarks that are based on input data from contributors.

## 2. GLOSSARY

<b>Term/expression</b>	<b>Meaning</b>
BMR	The EU Benchmarks Regulation: Regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds
Compliance Function	A control function within a Contributor Bank, which is independent of the business area in which the LIBOR Submission process is based
Contributor Bank	A bank providing LIBOR Submissions to IBA
EU Home State Regulator	The relevant National Competent Authority of a Contributor Bank which is a branch of an EU bank
FCA	The Financial Conduct Authority, the National Competent Authority for the UK in respect of the BMR
ICE Benchmark Administration (IBA)	ICE Benchmark Administration Limited, which is the administrator of ICE LIBOR and other benchmarks and market consensus rates, and which is authorised and regulated by the FCA
ICE LIBOR	The world's most widely used benchmark for short term bank borrowing rates, produced each London business day by IBA
LIBOR	ICE LIBOR
LIBOR Oversight Committee	A committee of IBA, responsible for overseeing activities around LIBOR in accordance with its terms of reference
LIBOR Submission / Submission	The information provided by a Contributor Bank to IBA for the purposes of determining LIBOR
Reviewer	An individual within a Contributor Bank who reviews LIBOR Submissions, whether before or after such LIBOR Submissions have been provided to IBA
Submission Methodology	The process by which each LIBOR bank determines its LIBOR Submissions
Submitter	An individual within a Contributor Bank who prepares LIBOR Submissions on behalf of the Contributor Bank

### **3. OVERVIEW OF THE BMR**

#### **3.1 Purpose**

The BMR is designed to ensure the proper functioning of the EU internal market and improve the conditions of its functioning, in particular with regard to financial markets, and to ensure a high level of consumer and investor protection in relation to benchmarks.

Recital (30) of the BMR explains that:

“The integrity and accuracy of benchmarks depends on the integrity and accuracy of the input data provided by contributors. It is essential that the obligations of contributors in respect of such input data are clearly specified, that compliance with those obligations can be relied upon, and that the obligations are consistent with the benchmark administrator's controls and methodology. It is therefore necessary that the benchmark administrator produces a code of conduct to specify those requirements and the contributor's responsibilities concerning the provision of input data. The administrator should be satisfied that contributors adhere to the code of conduct. Where contributors are located in third countries, the administrator should be satisfied to the extent possible”.

The BMR applies very widely and includes within its scope all indices that are used in the EU as the basis for financial instruments or certain financial contracts, or that are referenced by an investment fund.

#### **3.2 BMR classification**

The BMR categorises benchmarks as Critical, Significant or Non-significant. The first criterion for determining whether a benchmark is Critical is that it has a minimum value of € 500 billion. A benchmark can be deemed critical if it has a lower minimum value but has no or few market-led substitutes and its cessation would have a significantly adverse impact in one or more EU Member States. A benchmark that is neither Critical nor Significant is Non-significant.

There are also different types of benchmark: Regulated-data; Commodity; and Interest rate. Lower requirements apply to Regulated-data benchmarks.

#### **3.3 Designation of LIBOR under the BMR**

Since LIBOR is a Critical benchmark with ‘contributors’, it has an EU college of regulators chaired by the FCA. The membership of the college includes ESMA, the EU competent authorities supervising the contributors and any other EU competent authorities who consider that the cessation of LIBOR would have a significantly adverse impact in their Member State.

### **3.4 Code of conduct requirements**

Commission Delegated Regulation (EU) 2018/1639 specifies the elements that a benchmark administrator should include in a code of conduct, in order to ensure both consistent behaviour by Contributors and input data of the quality, accuracy and quantity needed by the methodology used to determine the benchmark.

The elements are as follows:

- Including a description of the input data
- Specifying that a Contributor Bank must be satisfied that the Submitter has the necessary skills, knowledge, training and experience for the role
- Requiring a Contributor Bank to have policies to ensure provision of all relevant input data
- Specifying systems and controls that a Contributor Bank must have in place
- Maintaining record-keeping policies
- Having internal procedures for the Contributor Bank's staff to report suspicious input data
- Having in place policies that deal with the exercise of discretion (see also section 3.5 below), and
- Having systems and controls for the management of conflicts of interest.

### **3.5 Governance and control requirements for supervised contributors**

The BMR's Article 16 (Governance and control requirements for supervised contributors) sets out the governance and control requirements applicable to supervised contributors which are, in broad summary:

- Ensuring that the provision of input data is not affected by any conflict of interest
- Ensuring that, where any discretion or expert judgement is required, it is independently and honestly exercised based on relevant information
- Having in place a control framework and effective systems and controls to ensure:
  - the integrity, accuracy and reliability of input data
  - that input data is provided in accordance with the BMR and this Code
- Having in place policies guiding any use of judgement or exercise of discretion, and
- Retaining records of the rationale for any such use of judgement or discretion.

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## **4. INPUT DATA REQUIREMENTS**

### **4.1 Description of Input Data**

The relevant BMR provisions are as follows:

#### **Regulation EU 2018/1639<sup>2</sup> Article 1 (Description of input data)**

The code of conduct to be developed by the administrator under Article 15(1) of Regulation (EU) 2016/1011 ('the code of conduct') shall include a clear description of, and requirements with respect to, at least the following matters concerning the input data to be provided:

- a) the type or types of input data to be provided;
- b) the required standards to be met regarding the quality and accuracy of the input data;
- c) the minimum quantity of input data to be provided;
- d) the order of priority, if any, in which the different types of input data are to be contributed;
- e) the format in which the input data is to be provided;
- f) the frequency of submission of the input data;
- g) the timing of submission of the input data;
- h) the procedures, if any, that each contributor is required to have in place for adjustments to and standardisation of the input data.

### **4.2 Types of input data**

A Contributor Bank is required to formulate its LIBOR Submissions in accordance with the methodology requirements published by IBA at:

[https://www.theice.com/publicdocs/ICE\\_LIBOR\\_Methodology.pdf](https://www.theice.com/publicdocs/ICE_LIBOR_Methodology.pdf).

### **4.3 Quality and accuracy of input data**

A Contributor Bank is required to implement and maintain appropriate procedures and controls designed to ensure the accuracy and integrity of the Contributor Bank's Submissions.

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<sup>2</sup> References to the Regulation will be updated when the final version is published.

The BMR requires a pre-contribution check to identify suspicious input data, including effective checking processes, in the form of a review of the data by a second person, for unusual data values.

A Contributor Bank must carry out a post-Submission review and any errors identified in it should be reported to IBA in accordance with the Error Policy as published from time to time by IBA.

A Contributor Bank that makes frequent erroneous Submissions will be reported to the LIBOR Oversight Committee and/or to the FCA at certain thresholds.

Once a Submission has been made, there should be a mechanism for checking that the rates that were submitted to IBA were those intended to be submitted; this is in order to identify any IT-related or transcription errors.

#### **4.4 Quantity of input data**

A Contributor Bank is required to have organisational arrangements designed to ensure that all relevant data is taken into account in the formulation of its LIBOR Submissions and that any exclusion of data can be verified and justified.

#### **4.5 Priority of input data**

A Contributor Bank is required to formulate its LIBOR Submissions in accordance with the requirements for Submission Methodology published by IBA.

#### **4.6 Format of input data**

Submissions must be uploaded to IBA's platform in such manner and format as may be specified by IBA from time to time in order to ensure the secure transfer of data.

#### **4.7 Format, frequency and timing of Submissions**

LIBOR is published at 11.55 London time on London business days. Market holidays applicable to individual LIBOR currencies and tenors are published on the Holiday Calendars on the IBA website at:

<https://www.theice.com/iba/libor#governance>.

Submissions must be made between 11.05 and 11.39.59 on each London business day.

Submissions received at or after 11.40 will be regarded as late. If a bank makes frequent late Submissions, the matter will be reported to the LIBOR Oversight Committee and/or to the FCA at certain thresholds.

A Contributor Bank is expected to ensure that consistent and timely electronic delivery of LIBOR Submissions is possible without material interruption due to human or technical failure. In particular the bank should have:

- Controls that will help prevent system and process failures, or identify them to rectify problems promptly
- Arrangements for the continuity of Submissions in the event that a significant process or system becomes unavailable or is destroyed, and
- Arrangements for the recording and capture of electronic communications from any site used for disaster recovery and/or business continuity purposes.

#### **4.8 Adjustments to input data**

Where a Contributor Bank finds it necessary to adjust or standardise any data in the formulation of the Contributor Bank's LIBOR Submissions, any such adjustment or standardisation must comply with the input data requirements and all standards for compliance, audit, governance, and management of conflicts of interest that are set forth in this Code of Conduct.

#### **4.9 Provision of all relevant input data**

The relevant BMR provisions are as follows:

**Regulation EU 2018/1639 Article 3 (Policies to ensure that a contributor provides all relevant input data)**

The code of conduct shall include provisions requiring contributors to have in place and comply with at least the following policies:

- a) An input data policy that includes at least a description of:
  - i) the data to be taken into account in determining the input data contribution; and
  - ii) the data that the contributor may exclude from a contribution of input data, together with the reason or reasons for which that data may be excluded;
- b) a policy on the transmission of data to the administrator that includes at least:
  - i) a description of the process to be used for the secure transfer of data; and
  - ii) contingency plans for submitting input data in the event of technical or operational difficulties, the temporary absence of a submitter or the unavailability of the input data required by the methodology.

A LIBOR Contributor Bank must have at least the following documentation:

- An input data policy that includes at least a description of the data to be provided in accordance with this Code, including the exclusion of:
  - data that does not conform to the Submission Methodology
  - transaction(s) if there are reasonable grounds to suspect manipulation - see section 4.11 of this Code.
- A policy or procedure on the transmission of data to IBA as prescribed by IBA, and
- Contingency plans for submitting input data that address at least the following elements:
  - technical and operational difficulties, and
  - the temporary absence of a Submitter.

#### 4.10 Use of discretion when contributing input data

The relevant BMR provisions are as follows:

**Regulation EU 2018/1639 Article 5 (Policies on the use of discretion when contributing input data)**

If the code of conduct provides for a contributor to use discretion in contributing input data, it shall require the contributor to establish policies on the use of discretion that specify at least the following:

- a) the circumstances in which the contributor may exercise discretion;
- b) the individuals within the contributor's organisation who are permitted to exercise discretion;
- c) the internal controls that regulate the exercise of the contributor's discretion in accordance with its policies;
- d) the individuals within the contributor's organisation who are authorised to conduct an ex-post evaluation of the exercise of discretion.

**BMR Article 16 (Governance and control requirements for supervised contributors) - paragraph 3**

3. Where input data relies on expert judgement, supervised contributors shall establish, in addition to the systems and controls referred to in paragraph 2, policies guiding any use of judgement or exercise of discretion and shall retain records of the rationale for any such judgement or discretion. Where proportionate, supervised contributors shall take into account the nature of the benchmark and its input data.

**BMR Annex 1 (Interest Rate Benchmarks) - paragraph 11**

11. Input data and procedures shall be subject to regular internal reviews.

A Contributor Bank must ensure that any exercise of discretion or expert judgement is:

- Appropriately framed to ensure that it is based as far as possible on data that is capable of verification
- Applied consistently in accordance with the associated methodology, and
- Suitably recorded in a manner that can be made available on request by IBA or a relevant regulator or auditor.

A Contributor Bank must have internal controls that govern the exercise of the submitters' discretion in accordance with its policies.

#### 4.11 Reporting of suspicious input data

The relevant BMR provisions are as follows:

**Regulation EU 2018/1639 Article 7 (Reporting of suspicious input data)**

1. The code of conduct shall require a contributor to establish documented internal procedures that provide for its staff to report any suspicious input data to the contributor's compliance function, if any, or to the contributor's senior management.
2. The code of conduct shall specify the conditions under which a contributor must report suspicious input data to the administrator, and shall specify the process and means of communication to be used by the contributor in order to contact the administrator.

Submitters and Reviewers and alternates are expected to report suspicious behaviour or events which they come across in the course of their work where, objectively, reasonable grounds exist for such knowledge or suspicion.

A Contributor Bank must have robust rules and escalation procedures that require Submitters and Reviewers and alternates to report any such knowledge or suspicions to the Contributor Bank's Compliance Function and, as appropriate, to the senior management responsible for the Contributor Bank's LIBOR Submission process.

Any behaviour and/or events reported to the Compliance Function and/or to the senior management of the benchmark-setting process should be reviewed by them in a timely manner to determine whether there are reasonable grounds for suspicion. It is likely that, where there are such grounds for suspicion, a report should be made by the bank to the FCA or, as the case may be, the EU Home State Regulator.

If there are reasonable grounds to suspect manipulation in relation to one or more transactions on which the Contributor Bank's LIBOR Submission would be based:

- The data corresponding to such transaction(s) should be excluded from the Contributor Bank's determination of its LIBOR Submissions, and

- The Contributor Bank should inform IBA promptly of the exclusion of data pertaining to such transactions from the bank's calculation of its LIBOR Submission for one or more currencies.

A Contributor Bank which suspects that any person:

- Is manipulating or has manipulated
- Is attempting to, or has attempted to, manipulate, and/or
- Is colluding in, or had colluded in, the manipulation or attempted manipulation

of LIBOR, must notify the FCA without delay.

If IBA receives a report from a Contributor Bank about suspected manipulation of the benchmark, IBA will forward any such report to the FCA.

Note: This section does not interpret or in any way affect a Contributor Bank's responsibilities under FCA rules or applicable market abuse legislation.

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## 5. GOVERNANCE

### 5.1 Systems and controls

The relevant BMR provisions are as follows:

#### **Regulation EU 2018/1639 Article 4 (Systems and controls)**

1. The code of conduct shall include provisions ensuring that the systems and controls referred to in Article 15(2)(d) of Regulation (EU) 2016/1011 include, among other things, the following elements:

- a) pre-contribution checks to identify any suspicious input data, including checks in the form of a review of the data by a second person;
- b) post-contribution checks to confirm that the input data has been contributed in accordance with the requirements of the code of conduct and to identify any suspicious input data;
- c) monitoring of the transfer of input data to the administrator in accordance with the applicable policies.

2. The code of conduct may permit a contributor to use an automated system for the contribution of input data, in which natural persons are not able to modify the contribution of input data, only if the code of conduct makes such permission subject to the following conditions:

- (a) the contributor is able to monitor the proper functioning of the automated system on a continuous basis; and
- (b) the contributor checks the automated system following any update or change to its software, before new input data is contributed.

In such a case, the code of conduct does not need to require the contributor to establish the checks referred to in paragraph 1.

3. The code of conduct shall define the procedures that a contributor must have in place to address any errors in the contributed input data.

4. The code of conduct shall require a contributor to review, the systems and controls established by it concerning the contribution of input data on a regular basis and, in any event, at least annually..

#### **BMR Article 16 (Governance and control requirements for supervised contributors) - paragraph 1**

1. The following governance and control requirements shall apply to a supervised contributor: (a) the supervised contributor shall ensure that the provision of input data is not affected by any existing or potential conflict of interest and that, where any discretion is required, it is independently and honestly exercised based on relevant information in accordance with the code of conduct referred to in Article 15; (b) the supervised contributor shall have in place a control framework that ensures the integrity, accuracy and reliability of input data and that input data is provided in accordance with this Regulation and the code of conduct referred to in Article 15.

#### **BMR Annex 1 (Interest Rate Benchmarks) - paragraph 7**

7. A contributor's systems and controls shall include:

- (a) an outline of responsibilities within each firm, including internal reporting lines and accountability, including the location of submitters and managers and the names of relevant individuals and alternates;
- (b) internal procedures for sign-off of contributions of input data;
- (c) disciplinary procedures in respect of attempts to manipulate, or any failure to report, actual or attempted manipulation by parties external to the contribution process;
- (d) effective conflicts of interest management procedures and communication controls, both within contributors and between contributors and other third parties, to avoid any inappropriate external influence over those responsible for submitting rates. Submitters shall work in locations physically separated from interest rate derivatives traders;
- (e) effective procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of conflict of interest where the exchange of that information may affect the benchmark data contributed;
- (f) rules to avoid collusion among contributors, and between contributors and the benchmark administrators;
- (g) measures to prevent, or limit, any person from exercising inappropriate influence over the way in which persons involved in the provision of input data carries out those activities;
- (h) the removal of any direct link between the remuneration of employees involved in the provision of input data and the remuneration of, or revenues generated by, persons engaged in another activity, where a conflict of interest may arise in relation to those activities;
- (i) controls to identify any reverse transaction subsequent to the provision of input data.

## 5.2 Required systems and controls

### *Introduction*

A Contributor Bank must establish and maintain adequate and effective organisational and governance arrangements for the process of making benchmark Submissions.

These arrangements should include written policies and procedures designed to ensure that this LIBOR Code is implemented and systematically applied within the Contributor Bank for the integrity of its LIBOR Submissions.

Governance arrangements should be within the context of a structure that reflects appropriate senior management involvement in, and awareness of, the LIBOR Submission process. The overall approach, policies and procedures should cover:

- Reporting structure and operating procedures
- Oversight and monitoring arrangements



- Escalation and reporting procedures, and
- Documenting business continuity arrangements for making LIBOR Submissions

A Contributor Bank should charge a governance group of its senior individuals with responsibility for oversight of the Contributor Bank's LIBOR Submission process and for receiving reports on post-Submission reviews of its integrity, accuracy and reliability.

*Regulation EU 2018/1639 Article 4 (Systems and controls) provisions*

In accordance with Regulation EU 2018/1639 Article 4 (Systems and controls), a Contributor Bank's systems and controls must include:

- An outline of responsibilities including: internal reporting lines and accountability, the location of Submitters and managers, and the names of all Submitters, Reviewers, managers and other relevant individuals, and their designated alternates.

As set out in section 5.5.1 of this Code, each person directly involved in a bank's Submission process should be formally designated and documented as such within the Contributor Bank (including the person's name, role and reporting line, as well as a detailed job description covering the involvement in the Submission process)

- Procedures for sign-off of contributions of input data (See section 5.4 below)
- Disciplinary procedures in respect of attempts to manipulate, or any failure to report, actual or attempted manipulation by parties external to the LIBOR Submission process
- Effective procedures for management of conflicts of interest and control of communications, both within the Contributor Bank and between the Contributor Bank and third parties, to avoid any inappropriate influence over those responsible for LIBOR Submissions, including but not limited to the physical separation of work locations of Submitters and Reviewers and alternates from the work locations of interest rate derivatives traders. (See Section 5.3 below)
- Effective procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of conflict of interest where the exchange of that information may affect the benchmark data contributed (See Section 5.3 below)
- Rules to avoid collusion in relation to LIBOR Submissions. (See section 4.11 above about reporting suspicions of collusion)
- Measures to prevent, or limit, any person from exercising inappropriate influence over the way in which persons involved in the provision of input data carry out those activities. (See sections 5.3 and 5.5 below)
- No direct link between the remuneration of employees involved in the provision of input data and the remuneration of, or revenues generated by, persons engaged in another activity, where a conflict of interest may arise in relation to those activities. (See section 5.3 below)

- Controls to identify any reverse transaction subsequent to the provision of input data. (See section 6.1 below).

A Contributor Bank should have in place procedures and controls to ensure the Contributor Bank's compliance with the Error Policy as published from time to time by IBA.

*BMR Article 16 (Governance and control requirements for supervised contributors) provisions*

In accordance with paragraph 1 of BMR Article 16 (Governance and control requirements for supervised contributors), the following governance and control requirements apply:

- A Contributor Bank must ensure that the provision of input data is not affected by any existing or potential conflict of interest and that, where any discretion is required, it is independently and honestly exercised based on relevant information, and
- A Contributor Bank must have in place a control framework that ensures the integrity, accuracy and reliability of input data and ensures that input data is provided in accordance with the BMR and this Code - see section 3.5 above.

A Contributor Bank must review at least annually its systems and controls in relation to the contribution of input data.

IBA will expect each Contributor Bank to provide an annual attestation to IBA in respect of the bank's systems and controls in relation to the LIBOR Submission process, including the sufficiency of the bank's cybersecurity measures.

All policies should be reviewed at least annually, and updated as necessary, and must reflect changes in this LIBOR Code in a timely manner.

### 5.3 Conflicts of interest

The relevant BMR provisions are as follows:

<b>Regulation EU 2018/1639 Article 8 (Conflicts of interest)</b>
<p>1. The code of conduct shall require a contributor to establish systems and controls concerning the management of conflicts of interest that include at least the following elements:</p> <p>a) establishment of a conflicts of interest policy that addresses:</p> <ul style="list-style-type: none"> <li>i. the process for identifying and managing conflicts of interest, including any internal escalation of conflicts of interest;</li> <li>ii. steps to prevent, or minimise the risk of, conflicts of interest in the process for recruiting submitters;</li> <li>iii. steps to prevent, or minimise the risk of, conflicts of interest in the remuneration policies for the contributor's staff;</li> </ul>

- iv. steps to prevent, or minimise the risk of, conflicts of interest arising from the contributor's management structure;
  - v. requirements with respect to communications between the submitters and other staff within the contributor's organisation;
  - vi. any physical or organisational separation between submitters and other staff of the contributor required to prevent, or minimise the risk of, conflicts of interest;
  - vii. rules and measures to address any financial exposure that the contributor may have to a financial instrument or financial contract which references the benchmark to which the contributor contributes input data;
- b) establishment of a register of conflicts of interest to be used to record any conflicts of interest identified and any measures taken to manage them, together with requirements to keep the register up-to-date and to provide internal or external auditors with access to it.

2. The code of conduct shall require that members of a contributor's staff who are involved in the contribution process be trained in all policies, procedures and controls relating to the identification, prevention or management of conflicts of interest.

3. The administrator may choose to omit one or more of the requirements in points (iii), (v), (vi) and (vii) of paragraph 1(a) in the case of a contributor contributing input data to a non-significant benchmark.

**BMR Article 16 (Governance and control requirements for supervised contributors) - paragraph 2**

2. A supervised contributor shall have in place effective systems and controls to ensure the integrity and reliability of all contributions of input data to the administrator, including:

[...]

- (c) measures for the management of conflicts of interest, including organisational separation of employees where appropriate and consideration of how to remove incentives, created by remuneration policies, to manipulate a benchmark;
- (d) record-keeping, for an appropriate period of time, of communications in relation to provision of input data, of all information used to enable the contributor to make each submission, and of all existing or potential conflicts of interest including, but not limited to, the contributor's exposure to financial instruments which use a benchmark as a reference;

[...]

A Contributor Bank must maintain and operate effective organisational and governance arrangements to enable it to identify and manage any conflicts of interest that may arise from the process of making LIBOR Submissions.

These arrangements should include having in place ethics policies and escalation procedures to address conflicts of interest.

In order to identify and manage conflicts of interest, a Contributor Bank should:

- Establish, implement and maintain a conflicts of interest policy which:
  - identifies the circumstances that constitute or may give rise to a conflict of interest arising from its benchmark Submissions or the process of gathering information in order to make benchmark Submissions
  - sets out the approach to managing such conflicts, and
  - address the recruitment process for submitters, and
- Establish effective controls to manage conflicts of interest between the parts of the business responsible for the benchmark Submissions and those parts of the business who may use or have an interest in LIBOR
- Establish effective measures to prevent or limit any person from exercising inappropriate influence over the LIBOR Submissions, and
- Maintain a Conflicts of Interest Register setting out perceived conflicts of interest and how they are handled.

All Submitters and Reviewers and alternates should be located within the function responsible for the Contributor Bank's liquidity and liability management or in an appropriate control function (e.g. the risk function). These individuals should not have parallel responsibility for any derivatives trading, for example, other than that associated with the Contributor Bank's liquidity and liability management.

Where conflicts of interest in respect of LIBOR Submissions may occur, such as where Submitters or Reviewers hold positions in assets, liabilities or derivatives with market exposure to LIBOR, the Contributor Bank should consider systematically identifying such positions and associated activities. Annex 1 of the BMR requires a Contributor Bank to keep detailed records of sensitivity reports for interest rate swap trading books and any other derivative trading book with a significant exposure to interest rate fixings in respect of input data. Article 16.2(d) requires the maintenance of records relating to the Contributor Bank's exposure to financial instruments which use the benchmark as a reference.

The internal controls and procedures developed and implemented to mitigate actual or potential conflicts of interests should be documented and monitored to demonstrate their effectiveness. Such internal controls and procedures should include, but not be limited to:

- Requiring Submitters and Reviewers and alternates:
  - not to disclose to any individual, inside or outside the Contributor Bank (other than to the compliance or other appropriate control functions) rates which will be submitted in the future or have been submitted to IBA but not yet published
  - not to disclose information influencing a Submitter's specific Submission that is not openly available to other market participants, and

- not to be physically located in proximity to Contributor Bank employees who primarily trade or deal in derivatives products that reference the LIBOR rates to which the Contributor Bank makes LIBOR Submissions, such that they can hear each other.
- Requiring individuals not involved in the LIBOR-setting process:
  - not to contact Submitters and Reviewers or alternates to attempt to influence, or inappropriately inform, the Contributor Bank's Submissions for any reason, including for the benefit of any derivatives trading positions
  - not to contact Submitters and Reviewers or alternates to seek information on the Contributor Bank's Submissions, and
  - not to seek to misuse any information on the Contributor Bank's Submissions.

This does not deny access to Submissions by a bank's Compliance Function (or by named individuals designated as a part of the Submission process) in order to perform checks prior to publication of LIBOR.

Communication within the group of Submitters and Reviewers and alternates responsible for Submissions need not be restricted.

However, all communication within that group relating to Submissions which is not face to face should be conducted on the Contributor Bank's recorded telephone and electronic communication systems and not on personal telephones or other personal electronic devices.

Submitters and Reviewers and alternates responsible for Submissions should treat any non-public LIBOR-related information as sensitive and take appropriate precautions to ensure the confidentiality of such information.

A Contributor Bank should maintain a "whistleblowing" policy so that staff and external parties have a means by which to raise concerns regarding unlawful or inappropriate practices related to LIBOR, for example confidentially to the Compliance Function.

For the avoidance of doubt, nothing in this LIBOR Code shall prevent the disclosure of rates which have been submitted to IBA to any external individual or internal individual who is not formally designated as being involved in the Submission process so long as they:

- (i) have a commercially reasonable business need to know that can be demonstrated to IBA, or
- (ii) are a customer of the Contributor Bank entering into a transaction with it priced by reference to the submitted rate.

In both cases above, appropriate arrangements for preserving confidentiality must be in place.

IBA publishes individual bank Submissions, after three months' embargo and on a non-attributed basis. Individual Submissions continue to be available to IBA, the FCA and, as appropriate, the LIBOR Oversight Committee.

When the three months' embargo has expired and IBA has published the unattributed Submissions, a Contributor Bank may at its discretion disclose which Submission were made by that bank.

### *Performance assessment and remuneration*

Adherence to this Code should be an integral part of the performance assessment of Submitters, Reviewers, alternates and others within the LIBOR Submission process.

The remuneration of Submitters and Reviewers and alternates should not be based in whole or in part on any economic target that could incentivise Submitters directly or indirectly to modify LIBOR Submissions.

## **5.4 Submission sign-off**

The relevant BMR provisions are as follows:

<p><b>BMR Article 16 (Governance and control requirements for supervised contributors)</b></p> <p>2.A supervised contributor shall have in place effective systems and controls to ensure the integrity and reliability of all contributions of input data to the administrator, including:</p> <p>(a) controls regarding who may submit input data to an administrator including, where proportionate, a process for sign-off by a natural person holding a position senior to that of the submitter;</p> <p>(b) [...]</p>
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A Contributor Bank must have effective systems and controls to ensure the integrity and reliability of all LIBOR Submissions to IBA, including, where appropriate, sign-off by an individual with more senior rank than the Submitter.

## **5.5 Appointment of Submitters, training and controls**

The relevant BMR provisions are as follows:

<p><b>Regulation EU 2018/1639 Article 2 (Submitters)</b></p> <p>1. The code of conduct shall include provision ensuring that a person is only permitted to act as a submitter of input data on behalf of a contributor if the contributor is satisfied that the person has the necessary skills, knowledge, training and experience for the role.</p> <p>2. The code of conduct shall describe the due diligence process that a contributor is required to undertake in order to be satisfied that a person has the necessary skills, knowledge, training and experience to submit input data on its behalf. The description of that process shall include a requirement to undertake checks to verify:</p> <p>a) the person's identity;</p> <p>b) the person's qualifications; and</p> <p>c) the person's reputation, including whether the person has previously been excluded from submitting input data to a benchmark for reasons of misconduct.</p> <p>3. The code of conduct shall specify the process and means of communication to be used by a contributor to notify the administrator of the identity of any person submitting input data on its behalf, so as to allow the administrator to check that the submitter is authorised to submit the data on the contributor's behalf.</p>
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### 5.5.1 Appointment of Submitters

A Contributor Bank must undertake a due diligence process to determine that it is satisfied that a person has the necessary skills, knowledge, training and experience to submit input data on its behalf.

This process must include undertaking checks to verify:

- The identity of the potential Submitter
- The qualifications of the potential Submitter; and
- The reputation of the potential Submitter, including whether the potential Submitter has previously been excluded by any party from submitting input data to a benchmark for reasons of misconduct.

A Contributor Bank must inform IBA by email to [IBA@theice.com](mailto:IBA@theice.com) of the appointment of the Submitter on behalf of the bank.

In addition, each person directly involved in the Submission process should be formally designated and documented as such within the Contributor Bank. The designation and documentation should include the person's name, role and reporting line, as well as a description of the person's involvement and responsibilities in the Submission process.

A Contributor Bank's LIBOR Submission process should provide for alternates for Submitters and Reviewers, whose appointment(s) and identities should be notified to IBA in accordance with section 5.2 above.

### 5.5.2 Training for Submitters and Reviewers and alternates

All Submitters and Reviewers and their alternates should have relevant experience in the market for the LIBOR benchmark for which they are making Submissions, or in a comparable market. The level of experience required to be demonstrated should be appropriate to the responsibilities of the function performed, in the context of the depth of the market concerned.

All Submitters and Reviewers and their alternates should receive training on responsibilities, processes, systems and controls associated with setting LIBOR. Training should include understanding, at a minimum:

- This LIBOR Code of Conduct
- The BMR
- The Market Abuse Regulation (EC Regulation 596/2014)
- Internal policies and procedures related to LIBOR setting
- The use of expert judgment, appropriately framed, within the Submission process
- The impropriety of attempting to influence the determination of Submissions, and the need to report any such attempts that they become aware of

- The importance of conducting all business related to LIBOR Submissions on recorded telephone and electronic communication systems and not on personal telephones or other personal electronic devices
- The employment and other potential consequences for firms and employees if employees act unlawfully or improperly in connection with the bank's Submissions or the process for determining Submissions, and
- That knowingly or deliberately making false or misleading statements in relation to benchmark-setting is a criminal offence under legislation including the Financial Services Act 2012, for which the sanctions include a prison term of up to 7 years and/or a fine.

Training should be provided promptly to new Submitters and Reviewers. For all Submitters and Reviewers and alternates, training should be refreshed at least annually and whenever there are material changes to the LIBOR Code or applicable regulatory requirements.

Completion of training should be documented for each individual.

#### 5.5.3 Training for employees who trade or deal in products that reference LIBOR

All Contributor Bank employees who primarily trade or deal in products that reference LIBOR should receive training, initially and then at least annually, to ensure familiarity with the responsibilities, systems and controls associated with being employed within a Contributor Bank.

The training should address as a minimum the following topics:

- The impropriety of attempting to influence the determination of Submissions, and the need to report any such attempts that they become aware of
- Policies and procedures related to communication with Submitters and Reviewers and their alternates
- The requirement to conduct business related to derivatives products that reference LIBOR on recorded telephone and electronic communications systems, and not on personal devices or systems
- The employment and other potential consequences for firms and employees if employees act unlawfully or improperly in connection with the Contributor Bank's Submissions or the process for determining Submissions
- That intentional non-compliance with internal policies and procedures implementing the LIBOR Code may be a disciplinary matter, and lead to staff being subject to disciplinary procedures, which may include the application of 'malus' clauses
- That any attempt to manipulate, or any failure to report, actual or attempted manipulation by parties external to the contribution process will render an individual liable to disciplinary procedures, and



- That knowingly or deliberately making false or misleading statements in relation to benchmark-setting is a criminal offence under legislation including the Financial Services Act of 2012, for which the sanctions include a prison term of up to 7 years and/or a fine.

Completion of training should be documented for each individual.

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## 6. COMPLIANCE AND AUDIT

### 6.1 Annex I provisions

The relevant BMR provisions are as follows:

#### **BMR Annex 1 (Interest Rate Benchmarks) - paragraphs 10 and 12**

10. The compliance function of the contributor to an interest rate benchmark shall report any findings, including reverse transactions, to management on a regular basis.

12. An external audit of the input data of a contributor to an interest rate benchmark, compliance with the code of conduct and the provisions of this Regulation shall be carried out for the first time six months after the introduction of the code of conduct, and subsequently every two years.

### 6.2 Compliance

There should be appropriate oversight of the Submission process by the Compliance Function of the bank to ensure compliance with the contributor's obligations under the BMR. The Compliance Function must report any findings, including reverse transactions, to management on a regular basis.

The function responsible for monitoring compliance of LIBOR-setting related activities with the LIBOR Code and the Contributor Bank's internal policies and procedures should be independent both of the individuals responsible for LIBOR Submissions and of the businesses with income statement sensitivity to LIBOR.

The Contributor Bank's Compliance Function must be able to access documentation covering the LIBOR Submission process. IBA expects that such documentation would be made available, on request, to IBA and the FCA or, as the case may be, the EU Home State Regulator.

In respect of the LIBOR Submission process, the role of the Compliance Function should include:

- Incorporating appropriate oversight activity into the annual Compliance Function plans
- Incorporating the oversight activity into the Contributor Bank's compliance policies and procedures and keeping this material up-to-date, and
- Procedures for reporting findings.

Examples of the key duties of compliance or other similar function related to LIBOR:

- Advising the relevant persons responsible for carrying out LIBOR-setting related activities in complying with the Contributor Bank's obligations under its internal policies and this Code
- Involvement in gathering and investigating any complaints concerning the accuracy or integrity of the Contributor Bank's Submission, including the logging, review and follow-up of all complaints

- Regularly reviewing the Contributor Bank's interactions with IBA, including the number and result of requests for further information and the number of late Submissions
- Regularly reviewing reports identifying exceptions and breaches of internal procedures implementing this Code
- Testing on a risk-based approach a sample of records of voice communications between those involved in the LIBOR Submission process and those outside of this process
- Issuing recommendations based on the result of work carried out
- Verifying compliance with those recommendations, and
- Recording and escalating its findings.

The Compliance Function should maintain a physical presence, on at least a monthly basis, on the floor of the LIBOR-setting team and the floor of traders in derivatives that reference LIBOR rates to which the Contributor Bank makes Submissions.

In order to enable the Compliance Function to discharge its responsibilities properly and independently:

- The function should have the necessary authority, resources, expertise and access to all relevant information
- A compliance officer (with alternate) should be designated as the point of contact for all LIBOR-setting related activities within the bank
- The designated compliance officer should not be involved in the Submission process they monitor, and
- The method of determining the remuneration of the compliance officer must not compromise their objectivity.

### **6.3 Audits**

An external audit of the bank's LIBOR input data, compliance with this Code and compliance with the provisions of the BMR is required as follows:

- For the first time six months after the introduction of this Code, and
- Subsequently every 2 years.

IBA also recommends periodic internal audit reviews.

Any significant issues which are identified should be reported at an appropriately senior level within the bank for decision on the actions to be taken and whether these issues should be reported to IBA.

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## 7. RECORD-KEEPING

The relevant BMR provisions are as follows:

### **Regulation EU 2018/1639 Article 6 (Record-keeping policies)**

1. The code of conduct shall include provisions requiring contributors to establish record-keeping policies that ensure that a record is kept by the contributor of all relevant information necessary to check the contributor's adherence to the code of conduct, including a record of at least the following information:

- a) the contributors policies and procedures governing the contribution of input data and any material changes to those policies or procedures;
- b) the register of conflicts of interest referred to in Article (8)(1)(b) of this Regulation;
- c) any disciplinary action taken against any of the contributor's staff in respect of benchmark-related activities;
- d) a list of submitters and persons performing checks in respect of contributions, including their names and roles within the contributor's organisation and the dates when they were authorised and, where applicable, ceased to be authorised to carry out their submission-related roles;
- e) in respect of each contribution of input data:
  - i. the input data contributed;
  - ii. the data taken into account in determining the input data contribution, and any data that was excluded;
  - iii. any use of discretion;
  - iv. any input data checks undertaken;
  - v. any communications in relation to the contribution of input data between the submitter and anyone within the contributor's organisation performing checks in respect of contributions.

2. The code of conduct shall require the record-keeping policies to provide that information be kept for a minimum of five years, or three years where the records are of telephone conversation or electronic communications, and be stored on a medium that allows the storage of information to be accessible for future reference.

3. The administrator may choose to omit the requirement in point (iv) of paragraph 1(e) in the case of a contributor contributing input data to a significant benchmark..

4. The administrator may choose to omit either or both of the requirements in points (iv) and (v) of paragraph 1(e) in the case of a contributor contributing input data to a non-significant benchmark.

### **BMR Article 16 (Governance and control requirements for supervised contributors) -- paragraphs 2 - 4**

2. A supervised contributor shall have in place effective systems and controls to ensure the integrity and reliability of all contributions of input data to the administrator, including:

[...] (d) record-keeping, for an appropriate period of time, of communications in relation to provision of input data, of all information used to enable the contributor to make each Submission, and of all existing or potential conflicts of interest including, but not limited to, the contributor's exposure to financial instruments which use a benchmark as a reference;

(e) record-keeping of internal and external audits.

3. Where input data relies on expert judgement, supervised contributors shall establish, in addition to the systems and controls referred to in paragraph 2, policies guiding any use of judgement or exercise of discretion and shall retain records of the rationale for any such judgement or discretion. Where proportionate, supervised contributors shall take into account the nature of the benchmark and its input data.

4. A supervised contributor shall fully cooperate with the administrator and the relevant competent authority in the auditing and supervision of the provision of a benchmark and make available the information and records kept in accordance with paragraphs 2 and 3.

#### **BMR Annex 1 (Interest Rate Benchmarks) - paragraph 8**

8. A contributor to an interest rate benchmark shall keep detailed records of:

- (a) all relevant aspects of contributions of input data;
- (b) the process governing input data determination and the sign-off of input data;
- (c) the names of submitters and their responsibilities;
- (d) any communications between the submitters and other persons, including internal and external traders and brokers, in relation to the determination or contribution of input data;
- (e) any interaction of submitters with the administrator or any calculation agent;
- (f) any queries regarding the input data and their outcome of those queries;
- (g) sensitivity reports for interest rate swap trading books and any other derivative trading book with a significant exposure to interest rate fixings in respect of input data.

9. Records shall be kept on a medium that allows the storage of information to be accessible for future reference with a documented audit trail.

A Contributor Bank should ensure that appropriate records are kept of its business and internal organisation, which must be available to IBA on request, to the extent permitted by applicable law, in order to monitor the bank's compliance with the requirements under this LIBOR Code.

A Contributor Bank must provide to IBA all information used by the bank to enable it to make a LIBOR Submission, comprising the type of Submission for each applicable tenor and an explanation of the rationale and methodology used to establish each Submission.

A Contributor Bank should be able to provide other information used in the LIBOR Submission process, on request, to IBA and/or the FCA or, as the case may be, the EU Home State Regulator.

Other appropriate records must at least include:

- Policies and procedures governing the contribution of input data and any relevant changes to those policies and procedures

- The register of conflicts of interest relating to the Contributor Bank's LIBOR Submissions
- Any disciplinary action taken against any of the contributor's staff in respect of benchmark-related activities
- A list of Submitters, Reviewers and alternates responsible for making LIBOR Submissions, and their designated alternates, including their names and roles within the Contributor Bank, and the dates when their roles relating to LIBOR Submissions were authorized and exited
- In respect of each LIBOR Submission:
  - the data taken into account in determining the LIBOR Submission
  - any eligible data excluded from determination of such LIBOR Submission (See Section 6.10 of this Code)
  - any use of discretion
  - any input data checks undertaken by the Contributor Bank, and
  - communications in relation to provision of input data and of all information used to enable the contributor to make the Submission.

It is IBA's expectation that the input data records for the first three sub-bullet points above will be included within the daily Submission, transaction data and evidence provided to IBA.

A Contributor Bank is also expected to keep for at least 5 years:

- Records of its LIBOR Submissions
- The name of the Submitter and Reviewer for each Submission
- Detailed records of sensitivity reports for interest rate swap trading books and any other derivative trading book with a significant exposure to interest rate fixings in respect of input data, and
- All existing or potential conflicts of interest, including, but not limited to, the Contributor Bank's exposure to financial instruments which use LIBOR as a reference.

The above records must be kept for a minimum of 5 years, or 3 years where the records are of telephone conversation or electronic communications.

Records should be kept in a medium that allows the storage of information in a way accessible for future reference. Storage arrangements should also enable the identification of any corrections, or other amendments made to Submissions to be easily ascertained. Trade level data should be kept in a format which can be converted into Microsoft Excel.

A Contributor Bank must fully cooperate with IBA and the relevant competent authority in the auditing and supervision of the provision of LIBOR and make available the above information and records.

Annex 1 of the BMR requires a Contributor Bank to keep detailed records of sensitivity reports for interest rate swap trading books and any other derivative trading book with a significant exposure to interest rate fixings in respect of input data. Article 16.2(d) requires retention of all existing or potential conflict of interests including but not limited to, the Contributor Bank's exposure to financial instruments which use the benchmark as a reference.

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## **8. ADHERENCE TO THE CODE AND REVIEW**

### **8.1 Adherence to the Code**

#### **BMR Annex 1 (Interest Rate Benchmarks) - paragraph 6**

6. Each contributor's submitter and the direct managers of that submitter shall acknowledge in writing that they have read the code of conduct and that they will comply with it.

In accordance with Annex 1 of the BMR, each Contributor Bank's Submitters and their direct managers must acknowledge in writing that they have read the code of conduct and that they will comply with it.

IBA will ask each Contributor Bank to attest that all of its Submitters and alternates and their direct managers have acknowledged in writing that they have read the Code of Conduct and that they will comply with it. In addition, IBA may on occasion request copies of acknowledgements made by Submitters, alternates and/or their direct managers.

As stated in section 5.2 above, IBA will also expect each Contributor Bank to provide an annual attestation to IBA in respect of the bank's systems and controls in relation to the LIBOR Submission process, including the sufficiency of the bank's cybersecurity measures. IBA may also ask for an additional attestation if the Code has changed.

### **8.2 Review of the Code**

This LIBOR Code of Conduct is kept under regular review by the LIBOR Oversight Committee.

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