

FTSE Russell Statement relating to the IOSCO Principles for the WMR Benchmarks



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Section 1

Introduction

1. Introduction

1.1 Statement relating to the IOSCO Principles for the WMR benchmarks rates

- 1.1.1 FTSE International Limited (FIL) is the benchmark administrator for benchmarks that are operated under the FTSE Russell brand.
- 1.1.2 FTSE Russell provides the WMR Benchmarks; a global foreign exchange rate benchmark service, offering spot, forward, non-deliverable forward foreign exchange benchmark rates and precious metal benchmarks (each a “Benchmark Rate” and together the “Benchmark Rates”) at fixed points throughout the global trading day.
- 1.1.3 FTSE Russell is issuing this statement in relation to the IOSCO Principles for Financial Benchmarks (the “Principles”), which require financial benchmark administrators to certify publicly the extent to which they have implemented the Principles. The Principles envisage that implementation may be proportionate to the size and risks posed by each benchmark, administrator and the relevant benchmark setting process.
- 1.1.4 FTSE Russell continues to be aligned with the Principles and, in doing so, has taken a proportionate approach where it believes this to be justified in the circumstances. This document summarises the controls, policies, procedures and governance arrangements that FTSE Russell has in place for the WMR benchmarks, that demonstrate compatibility with the Principles.
- 1.1.5 Please note that this statement is FTSE Russell’s own internal assessment of the Principles and not the assessment undertaken by IOSCO that is referred to in the Financial Stability Board (the “FSB”) Foreign Exchange Benchmarks Consultative Document published on 15 July 2014.

Section 2

IOSCO Principles for Financial Benchmarks

2. IOSCO Principles for the WMR benchmarks rates

2.1 Principle 1: Overall responsibility of the administrator

- 2.1.1 FTSE Russell, as the administrator of the Benchmarks, has primary responsibility for all aspects of the Benchmark determination process, including the development, determination, and distribution of the Benchmark, ensuring appropriate transparency and establishing credible and transparent governance, oversight, business continuity, and accountability procedures. This is stated in FTSE Russell's publicly available methodology documents (the "Methodology"), which are available on its website [WMR FX Benchmarks | LSEG](#). FTSE Russell has established a Benchmark Oversight Committee (the "Oversight Committee") to perform oversight over the Benchmarks and FTSE Russell in its role as Benchmark administrator. Please see Principle 5 below for further information on the Oversight Committee.
- 2.1.2 FTSE Russell has internal controls in place that are designed to provide for timely distribution of the Benchmarks. As specified in the Methodology, FTSE Russell aims to publish each Benchmark within 15 minutes of the fix time for that Benchmark.

2.2 Principle 2: Oversight of third parties

- 2.2.1 FTSE Russell outsources most services involved in the provision of the benchmark family to entities within the wider London Stock Exchange Group (LSEG). However, input data, including trade, order, and quote data, is provided by certain third-party platform operators (specifically, EBS, and, in certain limited circumstances, Currenex, Inc. ("Currenex")) pursuant to licensing agreements.
- 2.2.2 FTSE Russell has written agreements setting out the roles and obligations of each platform operator. FTSE Russell also monitors compliance with these agreements and conducts due diligence on each of its platform operators.
- 2.2.3 FTSE Russell maintains an Outsourcing Framework to manage services outsourced to LSEG entities, which includes Outsourcing Framework Procedures, Service Level Agreements, and Outsourcing Inventory. All activities are managed through SLAs together with specified KPIs. Performance against these KPIs is monitored with regular reporting to relevant governance forums.

2.3 Principle 3: Conflicts of interest for administrators

- 2.3.1 FTSE Russell is subject to the Group Conflicts of Interest Policy but has also implemented its own FTSE Russell Conflicts of Interest Procedure document which sets out how FTSE Russell identifies, discloses,

manages, mitigates and avoids actual or potential conflicts of interest. This procedure is tailored to FTSE Russell's role as administrator of the Benchmarks. FTSE Russell also has a [Conflicts of Interest Disclosure Statement](#). That document describes actual or potential conflicts of interest that may arise in connection with the offering of the Benchmarks.

2.4 Principle 4: Control framework for administrators

2.4.1 FTSE Russell has a control framework, which includes:

- An Oversight Committee with responsibility for oversight of the Benchmarks and FTSE Russell's role as administrator of the Benchmarks. Please see Principle 5 for more information.
- The Methodology, which sets out, amongst other things, the parameters for any exercise of judgement by operations specialists.
- A Conflicts of Interest procedure, which sets out FTSE Russell's processes for identifying, managing, mitigating and avoiding conflicts of interest.
- An Outsourcing Framework which ensures all third-party service providers are subject to due diligence and ongoing service quality monitoring. The due diligence includes assessment across multiple risk domains, such as cyber, BCP, financial sanctions, data quality, and control environment. The due diligence is completed prior to onboarded and repeated on a periodic basis.
- A FTSE Russell Benchmark Complaints Handling Policy, which sets out FTSE Russell's processes for handling price challenges and complaints.
- An Operational Risk Framework, which sets out how operational risks are identified, managed and monitored.
- A Controls Matrix which lists the material controls performed for each Benchmark.
- A Code of Conduct, which contains minimum standards that apply to all FIL entities, including in relation to conflicts of interest.
- A whistle blowing register but is also subject to the Group Speak-Up Policy.
- A training programme for employees, including training to ensure that employees have sufficient Benchmark Regulation knowledge and expertise. There is also various corporate training requirements covering topics such as Cyber Security, AML, Ethics and BCP.
- Regular reviews by LSEG Internal Audit function and Independent Third-Party Auditors, including on-site audits.
- FTSE Russell does not provide contribution input data, and as such there are no Submitters for WMR. It has not implemented the measures set out in Principle 4 that relate to Submitters.

2.5 Principle 5: Internal oversight

- 2.5.1 FTSE Russell has established an independent WMR Oversight Committee. The Oversight Committee Terms of Reference, which lists the responsibilities of the Oversight Committee, is available here: [Reference](#). The Oversight Committee comprises members selected on the basis of their experience, knowledge and independence from the day-to-day management of the Benchmarks. The Oversight Committee Terms of Reference permits the Oversight Committee to appoint internal or external technical advisers as appropriate.
- 2.5.2 Members of the Oversight Committee are appointed by FTSE Russell. As the Benchmark does not have Submitters, the Oversight Committee's role does not encompass the Submitter specific provisions of Principle 5.

2.6 Principle 6: Benchmark design

- 2.6.1 The Methodology describes the key features of the Benchmark design, including how it seeks to achieve an accurate and reliable representation of the interest it seeks to measure and eliminate factors that might result in a distortion of the price, rate, index or value of the Benchmark.
- 2.6.2 On the basis of publicly available volume data produced by the LSEG FX Matching and EBS, FTSE Russell has determined that the LSEG FX Matching System and EBS are currently the trading platforms with sufficient liquidity for the currencies for which FTSE Russell uses their data. To determine whether this remains the case, RBSL internal currency review group conducts regular (as a minimum, annual) reviews of the data sources.
- 2.6.3 FTSE Russell also conducts a due diligence process with each of its third-party data providers, which includes periodic supplier review meetings to discuss their controls, processes and procedures to address any potential unethical trading behaviour.

2.7 Principle 7: Data sufficiency

- 2.7.1 The trade currency Benchmarks are calculated primarily by reference to trades executed by parties on an arm's length basis. FTSE Russell's validation process requires a minimum number of observable transactions to be captured before they may be used as data in the calculation of the Benchmarks. FTSE Russell also captures order information for use in the event that insufficient observable transactions are captured. FTSE Russell does not rely on a solicitation process and the parties using the platforms do not provide the data to FTSE Russell specifically for the purpose of influencing the benchmark determination. Instead, they use these platforms in their ordinary course of business. For non-trade currencies, FTSE Russell sources indicative quote rates. Please refer to the Methodology for more information on how the Benchmark is calculated for both trade currencies and non-trade currencies.
- 2.7.2 As stated in the Methodology, FTSE Russell recognises that to enable the publication of a meaningful Benchmark, a market in each currency pair represented by that Benchmark must genuinely exist and that market must be active.
- 2.7.3 However, the economic realities of each applicable currency market will dictate the relative meaning of what "active" means as market liquidity varies greatly from a major liquid (e.g. trade) currency to an extremely illiquid (e.g. quote) exotic currency and may also vary depending on the time of day. Accordingly, FTSE Russell, in certain limited circumstances, defines an active market as one with a single source, although this situation is generally limited to quote currencies. As stated in the Methodology, FTSE Russell can provide a list of these currencies to its subscribers on request.

2.8 Principle 8: Hierarchy of data inputs

- 2.8.1 The Methodology describes the order of hierarchy that is applied for alternative data sources and the parameters for the exercise of any judgement by operations specialists.

2.9 Principle 9: Transparency of benchmark determinations

- 2.9.1 As FTSE Russell currently offers 157 spot fix Benchmarks which it sets either half hourly (trade currency Benchmarks) or hourly (non-trade currency Benchmarks) between the hours of 6am Hong Kong time on Monday to 10pm UK time on Friday, it is not operationally possible for FTSE Russell to publish a description of the Benchmark calculation with each Benchmark. Instead, WMR Methodology provides, in FTSE Russell's view, sufficient information on active markets, economic realities, data types and the parameters for any judgement-based decisions to be made by operations specialists, to facilitate an understanding of how the Benchmarks are determined. In addition, if it is necessary for FTSE Russell to use "quote" data instead of trade rates for the trade currencies, FTSE Russell, as standard practice, communicates this to clients via email to inform them. The fact that FTSE Russell may be required to use quote rates in the absence of trade rates is also highlighted upfront in the Methodology.

2.9.2 FTSE Russell will respond to any questions that its subscribers raise on a particular Benchmark.

2.10 Principle 10: Periodic review

2.10.1 FTSE Russell has procedures in place to review, at least annually, the applicable market factors (including market conditions and structural changes) relating to each Benchmark to ascertain whether it would be appropriate to make any changes to the Methodology.

2.10.2 These reviews include consideration of whether certain underlying conditions in the formulation of the Benchmark remain appropriate and, in certain circumstances, may lead to the cessation of a particular Benchmark. FTSE Russell has implemented an Index Decommissioning Statement which sets out the circumstances in which any such cessation may arise and its applicable processes. A copy is available here: [FTSE Russell Index Series Decommissioning Statement: Ground Rules](#).

2.10.3 Additional cessation procedures are required for Critical Benchmarks, which apply to the WMR Closing (4pm UK time) Spot Benchmark Rates is available here: [Critical Benchmark Methodology Change and Cessation Policy](#).

2.11 Principle 11: Content of the methodology.

2.11.1 WMR Methodology is publicly available on the FTSE Russell website at [WMR FX Benchmarks LSEG](#). FTSE Russell conducts periodic reviews of its Methodology and in accordance with the Principles, focuses on providing transparency for its Benchmark subscribers. Accordingly, FTSE Russell's view is that the Methodology document published on its website contains sufficient detail to allow subscribers to understand how the Benchmarks are derived and to assess their representativeness, its relevance to stakeholders and its appropriateness as a reference.

2.11.2 As FTSE Russell does not have any Submitters, its Methodology does not include criteria for including and excluding Submitters.

2.12 Principle 12: Changes to the methodology

2.12.1 FTSE Russell has a formal process for making changes to its Methodology. Any potential changes are reviewed by the Oversight Committee and the Benchmark Product Committee and are subject to approval by the Benchmark Governance Committee. If any changes are proposed that may have a material impact on subscribers, they are communicated to subscribers, together with the underlying rationale, in advance.

2.12.2 If, following a review by the Oversight Committee and Technical and Methodology Forum and approval by the Index Governance Board, a material change is made to the Methodology; FTSE Russell would publish the new Methodology document to its website at [WMR FX Benchmarks | LSEG](#). In these circumstances, FTSE Russell endeavours to consult with stakeholders and to provide them with advance notice of any proposed changes as set out in its FTSE Russell Policy for Benchmark Methodology Changes.

2.13 Principle 13: Transition

2.13.1 FTSE Russell has implemented a FTSE Russell Policy for Benchmark Methodology Changes and the FTSE Russell Index Series Decommissioning Statement Benchmark Methodology Change and Cessation Policy, which is available here: [Index Policy and Methodology | LSEG](#).

2.13.2 FTSE Russell highlights to its subscribers and users in the Methodology that they should plan for possible changes to the Benchmarks or the cessation of a particular Benchmark and that they should ensure that any financial contracts, financial instruments or funds that reference a Benchmark contain robust written fallback plans and other contingency provisions in the event of material changes to or cessation of that Benchmark.

2.14 Principle 14: Submitter code of conduct

- 2.14.1 This Principle does not apply to FTSE Russell as WMR benchmarks do not have any Submitters.

2.15 Principle 15: Internal controls over data collection

- 2.15.1 As stated above, FTSE Russell sources trade, order and quote data from certain third-party platform operators. FTSE Russell has licensing agreements in place with each platform operator and conducts due diligence on each platform operator as aligned with the Outsourcing Framework.
- 2.15.2 FTSE Russell has technology based internal controls over its data collection, validation and transmission processes. FTSE Russell has implemented access controls to limit access to the applications and captured data to authorised personnel. To help ensure data integrity, FTSE Russell sources corroborating trade and order data from multiple platform operators in respect of certain trade currency pairs.

2.16 Principle 16: Complaints procedure

- 2.16.1 FTSE Russell has implemented and published a FTSE Russell Benchmark Determination Complaints Handling Policy which sets out its procedures for handling price challenges and complaints. A copy of the policy is available here: [FTSE Russell Benchmark Determination Complaints-Handling Policy](#).

2.17 Principle 17: Audits

- 2.17.1 FTSE Russell, including for WMR, is subject to both internal and external audits on a regular basis, including for certain benchmarks and indices specific IOSCO reviews and where required UK BMR regulatory audits.
- 2.17.2 Subsequent reports are distributed to relevant governance forums, including the FTSE International Limited Board, for noting and remediation actions to any findings are tracked to completion and monitored by Compliance and Risk.

2.18 Principle 18: Audit trail

- 2.18.1 FTSE Russell retains and records all relevant data associated with the calculation of the Benchmarks, including input data collected from platform operators; methodologies and models, exercise of expert judgement; deviations from standard procedures; identity of each person involved in the determination and any queries and responses to data input or published Benchmarks. FTSE Russell maintains a Record Retention Policy, aligned with the LSEG Enterprise Records Management Policy, and retains such records for at least 5 years.

2.19 Principle 19: Cooperation with regulatory authorities

- 2.19.1 FTSE Russell deals with its regulators in an open and cooperative way and discloses to them appropriately anything relating to FTSE Russell of which they would reasonably expect notice of. In addition, FTSE Russell remains committed to working with relevant regulators as appropriate and has worked extensively on Global Benchmark Reform, Regulation, and Industry Best Practice, including the IOSCO Principles.

Section 3

Further information

3. Further information

For further information on FTSE Russell Benchmarks and Indexes please visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com. Contact details can also be found on the website.

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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