

CFBF Consultation Policy  
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# 1 Introduction

This Consultation Policy describes the circumstances under which a consultation will be undertaken and the process applicable for the conduct of a consultation.

In the event the CFBF seeks to propose or implement a “material change” to any aspect of PRIBOR it will commence a consultation process so that it can give the broad stakeholder community:

- a. the opportunity to provide feedback on such material change which the CFBF can take into consideration for its decision-making processes
- b. sufficient notice to take the necessary actions to accommodate the changes

## 2 Goal

The goal of this policy is to facilitate effective consultation and implementation of changes to PRIBOR over time that will support the integrity, accuracy and reliability of the PRIBOR benchmark to the benefit of all users of the benchmark and reliant market participants but utilising a well-designed process to minimise the disruption to the broad stakeholder community.

All consultations will be made public, including the consultation process, any consultation topics and feedback as a result of submissions made.

## 3 Background to the Consultation Policy

### 3.1 The International Organisation of Securities Commissions (IOSCO)

IOSCO published the Principles for Financial Benchmarks in July 2013 [the Principles]. The Principles are intended to promote the reliability of benchmark determinations, and address benchmark governance, quality and accountability mechanisms. Although the Principles set out uniform expectations, IOSCO does not expect a one-size-fits-all method of implementation to achieve these objectives. The Principles provide a framework of standards that benchmark administrators should implement according to the specificities of each benchmark. In particular, the application and implementation of the Principles should be proportional to the size and risks posed by each benchmark and/or benchmark administrator and the benchmark-setting process. Moreover, nothing in the Principles is intended to restrict a benchmark administrator from adopting its own unique methodology or from adapting their methodologies to changing market conditions in order to meet the Principles.

The 19 Principles are divided into four key sections: Governance, Quality of the Benchmark, Quality of the Methodology and Accountability. Principle 12 addresses the Changes to the Methodology, as follows:

#### **12. Changes to the Methodology**

*An Administrator should Publish or Make Available the rationale of any proposed material change in its Methodology, and procedures for making such changes. 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.*

*Those procedures should be consistent with the overriding objective that an Administrator must ensure the continued integrity of its Benchmark determinations. When changes are proposed, the Administrator should specify exactly what these changes entail and when they are intended to apply.*

*The Administrator should specify how changes to the Methodology will be scrutinised, by the oversight function.*

*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.*

## 3.2 European Benchmark Regulation

European Benchmark Regulation (BMR), developed subsequent to the IOSCO Principles, provides a legislated framework for National Competent Authorities (NCA's) to develop their own regulatory frameworks for the authorisation and registration of benchmark administrators and their respective benchmarks. BMR empowered the European Securities and Markets Authority (ESMA) to develop Regulatory Technical Standards (ESMA RTS) and Implementing Technical Standards (ESMA ITS) that provide a detailed interpretation of the BMR.

### **Article 5**

#### ***Oversight function requirements***

3. *The oversight function shall operate with integrity and shall have the following responsibilities, which shall be adjusted by the administrator based on the complexity, use and vulnerability of the benchmark:*
  - a. reviewing the benchmark's definition and methodology at least annually;*
  - b. overseeing any changes to the benchmark methodology and being able to request the administrator to consult on such changes;*
  - c. overseeing the administrator's control framework, the management and operation of the benchmark, and, where the benchmark is based on input data from contributors, the code of conduct referred to in Article 15; reviewing and approving procedures for cessation of the benchmark, including any consultation about a cessation;*
  - d. Etc..*

## **Article 13**

### **Transparency of methodology**

- 1.** *An administrator shall develop, operate and administer the benchmark and methodology transparently.*

*To that end, the administrator shall publish or make available the following information:*

- (c)** *the procedures for consulting on any proposed material change in the administrator's methodology and the rationale for such changes, including a definition of what constitutes a material change and the circumstances in which the administrator is to notify users of any such changes.*
- 2.** *The procedures required under point (c) of paragraph 1 shall provide for:*
  - (a)** *advance notice, with a clear timeframe, that gives the opportunity to analyse and comment upon the impact of such proposed material changes; and*

*the comments referred to in point (a) of this paragraph, and the administrator's response to those comments, to be made accessible after any consultation, except where confidentiality has been requested by the originator of the comments.*

## 4 Consultation Policy Responsibility

The CFBF Board of Directors (the Board) is responsible for all aspects of the Consultation policy. The Board may authorise a consultation process to be undertaken after a recommendation from the PRIBOR Oversight Committee, if in their opinion any proposed change is considered material. The CFBF may decide to undertake a consultation for other non-material changes, if in the opinion of the PRIBOR Oversight Committee and the Board that such a consultation was warranted.

The Board may undertake an impact analysis of proposed changes to determine if any consultation process is warranted. Such considerations may include impacts on users of the benchmarks, contributors to the benchmark and costs associated with the material change being proposed.

## 5 “Material Change” Definition

A “material change” for PRIBOR is defined as;

- a change to the definition or determination methodology of PRIBOR; or
- a change to the maturities for PRIBOR (addition or removal of a tenor/s); or
- a change related to a potential cessation of PRIBOR, including any transition arrangements to a new benchmark;
- a change that will impact the ability of a stakeholder to use PRIBOR as per current use

## 6 Consultation Paper Content

The Consultation paper will consist of the following components;

- details of the material change or other issue that requires feedback from stakeholders
- key elements of the methodology that would, in the CFBF’s view, be affected by the proposed material change
- the rationale for the proposed material change including an evaluation whether the representativeness of PRIBOR and its appropriateness as a reference for financial instruments and contracts would be put at risk if a proposed material change were not made
- timing of the consultation process, including deadlines for responses and when feedback will be collated and published
- an explanation, where applicable, of the circumstances requiring a consultation within a shorter timeframe and the procedures to be followed when undertaking a consultation within a shorter time frame
- how respondents’ information may be kept confidential if a respondent indicates this is required and noting the potential use of the responses
- contact details within the CFBF for further information or assistance

## 7 Stakeholder Notification of Consultation

The CFBF will provide adequate advance notice of any consultation process. The standard time frame for consultations is 30 days. Notification will include clear timeframes for the consultation process so that

stakeholders have the opportunity to analyse and comment upon the impact of the proposed material change.

The consultation timeframes may be shortened due to sudden unexpected events affecting the PRIBOR determination.

The CFBF will contact key stakeholders either directly or via its website to make them aware of the consultation process, with particular focus on stakeholders who will most likely be affected by the changes proposed.

In circumstances of a shortened consultation timeframe the procedures described within this policy will be followed other than the shortened timeframe.

## 8 Respondents Confidentiality

In the case that some respondents indicate that they would like their responses kept confidential, the CFBF will ensure that the respondent's individual response is not published. The CFBF however, will be able to include their response in any aggregated summary of responses from all respondents – as long as the aggregate summary would not identify the respondent who require confidentiality.

All responses, whether requiring confidentiality or not, will be processed and reviewed by the CFBF and may also be shared with the CFBF secretariat, governance and potentially regulatory bodies.

## 9 Post Consultation Summary to Stakeholders

The CFBF will respond to comments by stakeholders, provided as part of the consultation process, after collation and approval by both the Oversight Committee and the Board. The CFBF will provide a summary of responses and will declare its position in regard to the aggregated feedback on each issue contained in the consultation paper. The final outcome of the consultation process will be posted according to the timeframes in the consultation paper to the CFBF website and in some cases provided directly to stakeholders via email.

## 10 Consultation Process Map

