

CFBF Benchmark Review Policy

Date: September 2022

Original release: October 2018



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1 Introduction

The Czech Financial Benchmark Facility (CFBF) is the administrator of PRIBOR. The CFBF has developed and implemented this Benchmark Review Policy, being a formalised and approved process for the review of PRIBOR's definition and methodology at a frequency consistent with legislation, regulation and good practice.

2 CFBF Benchmark Review Policy

2.1 Introduction

The CFBF intends to provide transparency about the benchmark's methodology.

As part of this transparency, this policy describes the process for the periodic review of the benchmark methodology to ensure that the chosen methodology produces a benchmark that reflects the underlying economic reality that it measures

2.2 Back testing

The CFBF shall ensure that any back-testing, as appropriate, to which the PRIBOR methodology is subject takes place *ex post* and refers to an appropriate time horizon.

Back-testing shall take place at least at each annual review of the PRIBOR methodology and following any material change of that methodology.

2.3 Stress testing

The CFBF shall:

- assess the impact of various market conditions on the methodology using historical data from stressed market conditions, if appropriate historical data are available
- use parameters and assumptions in the methodology to capture a variety of historical conditions including the most volatile periods experienced by the markets and taking into account a variety of hypotheses for correlation between underlying assets

2.4 Responsibility

CFBF shall develop, operate and administer the benchmark and methodology transparently. CFBF shall publish or make available details of the internal review and the approval of a given methodology, as well as the frequency of such review.

Oversight Committee shall have the responsibility, which shall be adjusted by the CFBF based on the complexity, use and vulnerability of the benchmark, to review the benchmark's definition and methodology at least annually.

The CFBF Secretariat will provide assistance, at the direction of the Oversight Committee, to perform analysis of underlying market activity and the collation of relevant metrics and reports.

2.5 Review Process

During the review process a number of means to review the benchmark methodology will be used, such as;

- Spread to similar markets and other benchmarks/indexes
- Number of outlier submissions to the benchmark
- Number of contributors to the benchmark
- Historical data analysis
- Other metrics that are developed from time to time

The metrics will be collected by the CFBF Secretariat each quarter and provided to the CFBF Oversight Committee as part of its review process. and note any material changes to the underlying market.

On an annual basis, the CFBF will make their final assessment of the conditions in the underlying market and submits the assessment to OC for review.

2.6 Oversight Committee Recommendations

In the case that the Oversight Committee determines that the benchmark methodology is no longer suitable for its intended purpose, due to changes in the underlying market, it will recommend to the Board of Directors, one of the following courses of action;

- a. a change to the methodology to ensure its suitability to measure the underlying market conditions
- b. investigate alternate comparative benchmarks that could facilitate a cessation of the benchmark

In each case the Oversight Committee would provide a rationale for their recommendation and a request to undertake a consultation on any material change.

2.7 Publication of Benchmark Review

The CFBF will publish on its website the results of its annual review of the benchmark methodology, including any proposed changes to the methodology and the rationale behind such changes.

2.8 Post Benchmark Review actions

In the case that a review of the benchmark, under the Benchmark Review Policy, results in a recommendation for a material change to the benchmark methodology, the Board of Directors will utilise the CFBF Consultation policy to elicit feedback from stakeholders. Subject to the results of the consultation the Board of Directors may decide to implement the recommended changes and will take appropriate steps to achieve this objective.