

BBA LIBOR Benchmark Administrator: Interim LIBOR Oversight Committee (ILOC)

I. Terms of Reference for Members

1. To consider and advise BBALL upon the definition, scope and context of the BBA LIBOR benchmark having regard to the importance of maintaining integrity of the market and the continuity of the specified benchmark including the need for contractual certainty for contracts which reference the specified benchmark; and to approve any changes proposed by BBALL thereto, including introduction or removal of currencies and/or tenors to the scope;¹
2. To consider and advise upon procedures employed by BBALL for scrutiny of the BBA LIBOR benchmark submissions and to exercise collective scrutiny of submissions if and when required;²
3. To ensure FCA is notified of recurring failures on the part of Submitting Banks to follow the Practice Standards³ for making submissions for the specified benchmark;⁴
4. To consider whether to endorse or reject the Practice Standards promulgated by BBALL in a published Code of Conduct setting out the responsibilities for benchmark submitters, the benchmark administrator, and its Oversight Committee in relation to the BBA LIBOR benchmark (“the Practice Standards”) and any change proposed by BBALL thereto;
5. To carry out periodic reviews and to report the results and make any representations to BBALL as it thinks fit concerning:
 - a) the Practice Standards;⁵
 - b) the setting and definition of the BBA LIBOR benchmark;⁶
 - c) the composition of the benchmark panels;⁷ and
 - d) the process of making relevant benchmark submissions for the BBA LIBOR Benchmark;⁸
6. To oversee the process by which BBALL⁹:
 - a) notifies FCA of proposed changes arising from any review including those relating to Item 5 above;

¹ FCA ref 8.3.9 G1 & Wheatley Review 3.32

² FCA ref 8.3.9 G2 & Wheatley Review 3.33

³ as set out in FCA MAR 8.3.10R(1)

⁴ FCA ref 8.3.9 G3

⁵ FCA ref 8.3.10 R1&2a & Wheatley Review 3.34

⁶ FCA ref 8.3.10 R2b

⁷ FCA ref 8.3.10 R2c

⁸ FCA ref 8.3.10 R2d

⁹ FCA ref 8.3.10 R3 & Wheatley Review 3.31

- b) publishes proposed changes and invites representations within a specified time;
 - c) accords regard to any such representations.
7. To approve and review guidance promulgated by BBALL on calculation, parameters for verification and flagging related to the BBA LIBOR benchmark administrator procedures¹⁰;
 8. To approve and review guidance promulgated by BBALL on calculation, verification and distribution of the BBA LIBOR benchmark in the event of market disruption that affects the standard practices and procedures;
 9. To approve and maintain governance procedures implemented by BBALL for BBA LIBOR including those procedures which govern referrals for FCA review.¹¹
 10. To constitute, as appropriate, subcommittees to consider reports prepared by BBALL on the rate contributions of individual benchmark submitters and, where necessary, to consider what forms of escalation should be used in the event of apparent non-compliant behaviour.
 11. To maintain links as appropriate with such statutory and other public bodies as wish to observe Oversight Committee proceedings.
 12. To review and approve the publication by BBALL of external BBA LIBOR reports e.g. Quarterly Statistical Bulletin.
 13. To engage with internal and external auditors and advisers to BBALL as necessary.

The deliberations of the Committee will respect any restrictions on the exchange and use of information and the discussion of certain subjects which can arise under competition law. Conflicts of Interest (CoI) will be managed in line with a CoI policy set by BBALL.

II. Details of Participants on the Interim LIBOR Oversight Committee

Individuals from six groups will participate on the Interim LIBOR Oversight Committee:

1. Authorities e.g. participants from the Central Banks and regulators for the core LIBOR currencies – these persons will have “**observer**” status and will not vote
2. Associations e.g. participants from sectors of the user community which use LIBOR rates – these persons will have “**member**” status and will vote
3. Exchanges e.g. participants from the major exchanges which trade LIBOR-linked products – these persons will have “**member**” status and will vote

¹⁰ *Wheatley Review C26*

¹¹ *Wheatley Review 3.35*

4. Contributor Banks - participants representing the key geographical banking areas, with the total number forming a minority on the Committee – these persons will have “**member**” status and will vote
5. Other e.g. participants from Legal / Accounting professional bodies, independent experts – these persons will have “**member**” status and will vote
6. Benchmark Administrator(s), which during this interim period, are BBA LIBOR and Thomson Reuters – these persons will have “**member**” status and will vote

In the longer term this group will be augmented with the introduction of non-executive directors – but not during this interim (BBA LIBOR Ltd) phase.¹² For the interim phase, the Committee will not have a formal Chair, and each meeting will be chaired by a member of the Committee on a revolving basis.

All members of the committee, except those in category 1 (Observers) will have equal standing and voting rights.

There will be a maximum of 18 Committee members plus the 2 Benchmark Administrators and a quorum of 8 will be required for decision making purposes.

Members of the committee are not representing the interests of the institutions by whom they are employed, but instead, are expected to act in the public interest and in the interest of managing a systemically important benchmark, putting commercial interests aside.

III. Public Dissemination of Information / Communication

In order to improve the transparency of the BBA LIBOR Benchmark as recommended by the Wheatley review¹³, the following information related to the Interim LIBOR Oversight Committee will be published on the Administrator’s website once approved by the Committee, at agreed times:

- the terms of reference of the Committee;
- the details of the membership of the Committees, including any declarations of conflicts of interest and processes for election or nomination of Committee members;
- the minutes of Committee meetings.

IV. Oversight Committee Members Role

The Oversight Committee is an independent committee set up to promote what it considers to be the key principles for the Benchmark Administrator, and as such is not obliged to act in the BBA's interests.

It will be the BBALL as the Benchmark Administrator that puts these recommendations into practice and the BBALL that assumes legal liability in connection with BBALL’s actions, not the Oversight Committee (which will not be taking any actions on its own recommendations and assumes no related liability).

¹² FCA ref 8.3.8R & Wheatley Review 3.30, 3.31 & 3.36

¹³ Wheatley Review 3.37

Initially members will be appointed for an initial term of 12-18 months (or until the transition to the new administrator is complete)

V. Oversight Committee Observers Role

Global authorities such as, among others, representatives from the Central Banks for the core LIBOR currencies will be eligible to participate in the Committee in the role of “Observer”. The Oversight Committee Observers may engage in the discussions of the Committee but will not have any decision making or voting rights. The rights and obligations of these Terms of Reference as detailed in Section I apply to Members only. The Observers role is limited to providing support and advice to the Members.

All responsibilities for BBA LIBOR including any consequences deriving from any actions taken under or in accordance with these Terms of Reference remain with BBALL as the regulated Benchmark Administrator and its Members respectively.

Extract of FCA Handbook related to Oversight Committee:

Oversight committee

8.3.8 R A *benchmark administrator* must establish an oversight committee (which must be a committee of the *benchmark administrator*) which includes representatives of *benchmark submitters*, market infrastructure providers, users of the *specified benchmark* and at least two independent *non-executive directors* of the *benchmark administrator* approved to carry out the *nonexecutive director function*.

8.3.9 G The oversight committee should be responsible for:

- (1) considering matters of definition and scope of the *specified benchmark*;
- (2) exercising collective scrutiny of *benchmark submissions* if and when required; and
- (3) notifying the *FCA* of *benchmark submitters* that fail on a recurring basis to follow the practice standards (as set out in *MAR 8.3.10R(1)*) for the *specified benchmark*.

8.3.10 R The *benchmark administrator* through its oversight committee must:

- (1) develop practice standards in a published code which set out the responsibilities for *benchmark submitters*, the *benchmark administrator*, and its oversight committee in relation to the relevant *specified benchmark*;
- (2) undertake regular periodic reviews of:
 - (a) the practice standards mentioned in *MAR 8.3.10R(1)*;
 - (b) the setting and definition of the *specified benchmark* it administers;
 - (c) the composition of *benchmark submitter* panels; and
 - (d) the process of making relevant *benchmark submissions*; and
- (3) before making any changes as a result of such review:
 - (a) notify the *FCA*;
 - (b) after doing so, publish a draft of the proposed changes and a notice that representations about the proposed changes may be made to the *benchmark administrator* within a specified time; and
 - (c) have regard to any such representations.

These form the basis of the Terms of Reference for the Interim LIBOR Oversight Committee