

Oversight Committee
Terms of Reference

Date: June 2020

Contents

1	The Benchmark Oversight Committee Overview	3
2	Responsibilities	3
3	Appointment of members to the Oversight Committee	4
4	Oversight Committee Membership	4
5	Removal of members to the Oversight Committee	5
6	Managing Conflicts of Interest within the Oversight Committee	5
7	Administrative details	6

Copyright © 2020 by Swedish Financial Benchmark Facility (SFBF) all rights reserved. This document or any portion thereof may not be reproduced or used in any manner whatsoever without the express written permission of the SFBF.

1 The Benchmark Oversight Committee Overview

The Swedish Financial Benchmark Facility (**SFBF**) is the Benchmark Administrator of the Benchmark STIBOR. The Benchmark Oversight Committee (the OC) is an independent committee that has the primary governance oversight of the methodology, determination and dissemination of the Benchmark. The OC's purpose is to support the integrity, accuracy and reliability of the Benchmark to the benefit of all users of the benchmark and reliant market participants. The OC is comprised of a blend of independent experts, representatives from Panel Banks and SFBF. Guests, such as representatives from market associations, stakeholder committees, market infrastructure providers and other users of the Benchmark, may be invited to participate on a non-voting basis.

The OC is embedded within the organisational structure of SFBF but distinct from other governance functions of SFBF. The OC shall assess and challenge the decisions of the SFBF Board of Directors (the **Board**) with regards to the provision of the Benchmark. The OC will be granted access to all SFBF documentation necessary to carry out its duties.

2 Responsibilities

With respect to Benchmark determination the responsibilities of the OC are:

- Conducting regular reviews (at a minimum annually) of all aspects of the determination methodology and definition of the Benchmark. In conducting these reviews, the OC should consider the underlying market dynamics and the usage of the Benchmark.
- Oversight of the STIBOR Code of Conduct including overseeing the practice standards as detailed in the STIBOR Code of Conduct and reviewing these regularly.
- Defining, reviewing and updating the operational processes and procedures by which Benchmark Panel Banks contribute to the Benchmark.
- Adopting, reviewing and where required updating the Benchmark Control Framework to ensure that the Benchmark is determined and published in accordance with all relevant SFBF governance arrangements including the STIBOR Code of Conduct and all applicable regulatory standards.
- Monitoring the input data and contributors (Panel Banks) and the actions of the SFBF as the administrator of the Benchmark in challenging or validating contributions of input data.
- Monitoring Panel Banks' adherence to the STIBOR Code of Conduct, including but not limited to the regularity and coverage of benchmark contributions.
- Taking effective measures in respect of any breaches of the Benchmark Code of Conduct.
- Developing proposals for consultation of prospective material changes to the Benchmark determination methodology or definition and have regard to any representations made in response to consultations undertaken.
- Reviewing and approving procedures for cessation of the Benchmark, including any consultation about a cessation.
- Overseeing any third party involved in the provision of the Benchmark, including calculation or dissemination agents.

With respect to the Benchmark Panel Banks

- Undertaking regular reviews of the composition of the Benchmark Panel Banks.
- Defining rules and procedures to join, remain or leave the Benchmark Panel Banks.
- The OC may require an external audit of a Panel Bank if dissatisfied with any aspects of its conduct.

With respect to the Benchmark Administrator

- Assessing and, where appropriate, challenging the decisions of the management body of SFBF with regard to benchmark provision and addressing all recommendations on benchmark oversight to that management body.
- Considering existing or potential conflicts of interest where material.

- Taking measures to remain informed about material issues and risks relating to the setting of the Benchmark.
- Overseeing SFBF's adherence to the Benchmark Code of Conduct, other governance arrangements and the published Benchmark methodology, including calculation, re-fix and business continuity policies.
- Recommending as appropriate that external reviews of the Benchmark be commissioned by the SFBF.
- Assessing internal and external audits or reviews and monitoring the implementation of identified remedial actions.
- Keeping the SFBF Oversight Committee Terms of Reference and the SFBF Oversight Committee Rules and Procedures under regular review.

3 Appointment of members to the Oversight Committee

The Board has the authority and responsibility to determine the membership of the OC on an annual basis. Appointments to the OC will be for an initial period of one year. The Board will nominate a candidate to act as the OC's Chairperson and the OC itself will ratify the nomination. If the OC does not wish to ratify the Board nominated candidate, the Board will nominate an alternative candidate for the OC's ratification. This process will continue until the Chairperson position has been confirmed by the OC.

The OC shall be composed of members that together have the skills and expertise appropriate to the oversight of the provision of the Benchmark and to the responsibilities the oversight function is required to fulfil.

The selection criteria for membership of the OC are as follows:

- Representatives from supervised entities that use the benchmarks should have a minimum of 3 years of experience as a user and a demonstrable understanding of how their organisation, and others, use the Benchmark
- Independent members must be of a Director or Firm Partner seniority, or have similar experience, and have a good understanding of the underlying markets the Benchmark provides a representative measure of
- Members must have prior Board or Senior Committee level experience
- The standing OC will consider the requirement to add new members on to the OC and vote them on to the OC, via a recommendation to The Board

The Secretariat will assist the Board in identifying suitable nominees for OC membership, taking into consideration the criteria above and other matters such as the nominee's specialist skills, knowledge and expertise, independence and their availability to attend meetings. The OC, as a whole, should have sufficient coverage of relevant subject matter including financial markets, legal, regulatory, risk and compliance and accounting. OC representation from academia is also desirable.

SFBF will ensure that members with conflicts of interest shall not hold a majority. The SFBF will also give due consideration to conflicts arising from relationships between potential members and other external stakeholders with a vested interest in the Benchmark rates.

4 Oversight Committee Membership

The OC will consist of a balanced representation of stakeholders including supervised entities that use the benchmark, contributors and other external stakeholders such as market associations, market infrastructure operators and other input data sources, as well as independent members and staff of the SFBF that are not directly involved in the provision of the Benchmark or any related activities.

The Board will ensure that the OC has a minimum of 6 and a maximum of 12 voting members. Ideally the OC shall include:

- At least two independent members, preferably one from academia
- Representatives from supervised entities that use the Benchmark

- Representatives from contributors to the Benchmark where the maximum number of these representatives does not form a majority of OC voting members.
- Representatives from external stakeholders such as market associations, market infrastructure operators and other input data sources in a non-voting capacity.
- At least one SFBF staff not part of the SFBF management body nor directly involved in the provision of the Benchmark or any related activities.
- At least two SFBF staff, not part of the SFBF management body, who are involved in the provision of the Benchmark in a non-voting capacity

Members shall not include persons who have been convicted of financial services related offences.

Details of the OC membership will be made public on the SFBF website as will any declarations of any conflict of interest along with the processes for election and nomination of OC members.

Observers may be invited to attend meetings of the OC by the Chairman. Observers must have signed a non-disclosure agreement prior to attending and also confirmed in writing any potential conflicts of interest they might have through their attendance. Observers will be asked to leave meetings when issues are being discussed where there is a potential conflict of interest.

5 Removal of members to the Oversight Committee

The Board may remove a person as a member of the OC if, for any reason, it appears appropriate for the Board to do so, including without limitation for the following reasons:

- The person was appointed to the OC as a representative of an organisation which he or she is no longer employed by and the Board considers their involvement is no longer in the best interests of the OC.
- The person has become physically or mentally incapable of acting as a OC member.
- The person has served notice of his or her intention to retire from the OC and the Board considers their membership is no longer required.
- The person is repeatedly absent without the permission of the Chairperson of the OC.

A person, as a member of the OC, wishing to resign from the OC is required to communicate their intention to resign by providing six-month notice in writing to the Chairperson of the OC. The Chairperson, may at their discretion, accept a lesser notice period if requested by the resigning member where, in the Chairperson's opinion, a lesser notice period will have no negative impact upon the OC's ability to fulfil its mandate.

6 Managing Conflicts of Interest within the Oversight Committee

To mitigate any potential conflicts of interest all OC members appointed on a personal basis must be independent and must not be subject to instructions from the companies or organisations to which they belong. Accordingly, on an annual basis each member of the OC must submit and sign a declaration of interest whereby members shall declare any relevant interests. Declared conflicts of interest will be made publicly available on the SFBF website.

Conflicts of interest which may arise within the OC due to competing interests shall be managed using, where appropriate, the following non-exhaustive list of procedures:

- External OC members should have their voting rights suspended for decisions that would have a direct business impact on the organisations they represent.
- OC members are required to disclose conflicts ahead of the discussion of each agenda item during meetings of the OC.
- OC members should excuse themselves from specific discussions of agenda items which would cause them to become conflicted, either prior to the agenda item being discussed or during discussion should a conflict arise at that time. Details of any exclusion are to be recorded in the minutes of any relevant meeting and redact such minutes prior to publication.
- OC members that are excused from discussion to avoid conflicts will have their voting rights removed for decisions relating to the specific agenda item.

Where it is not possible to manage the conflicts of interest through the procedures listed above or by other means, the SFBF will revise the structure of the OC and where appropriate, replace the conflicted members.

7 Administrative details

- The OC shall meet at a minimum on a quarterly basis.
- Decisions of the OC will be minuted and made public on the SFBF's website within 14 days of OC meetings.
- Rules governing the operational functioning of the OC are detailed the accompanying document "the Benchmark Oversight Committee Rules and Procedures"
- This document will be publicly available on the SFBF website.