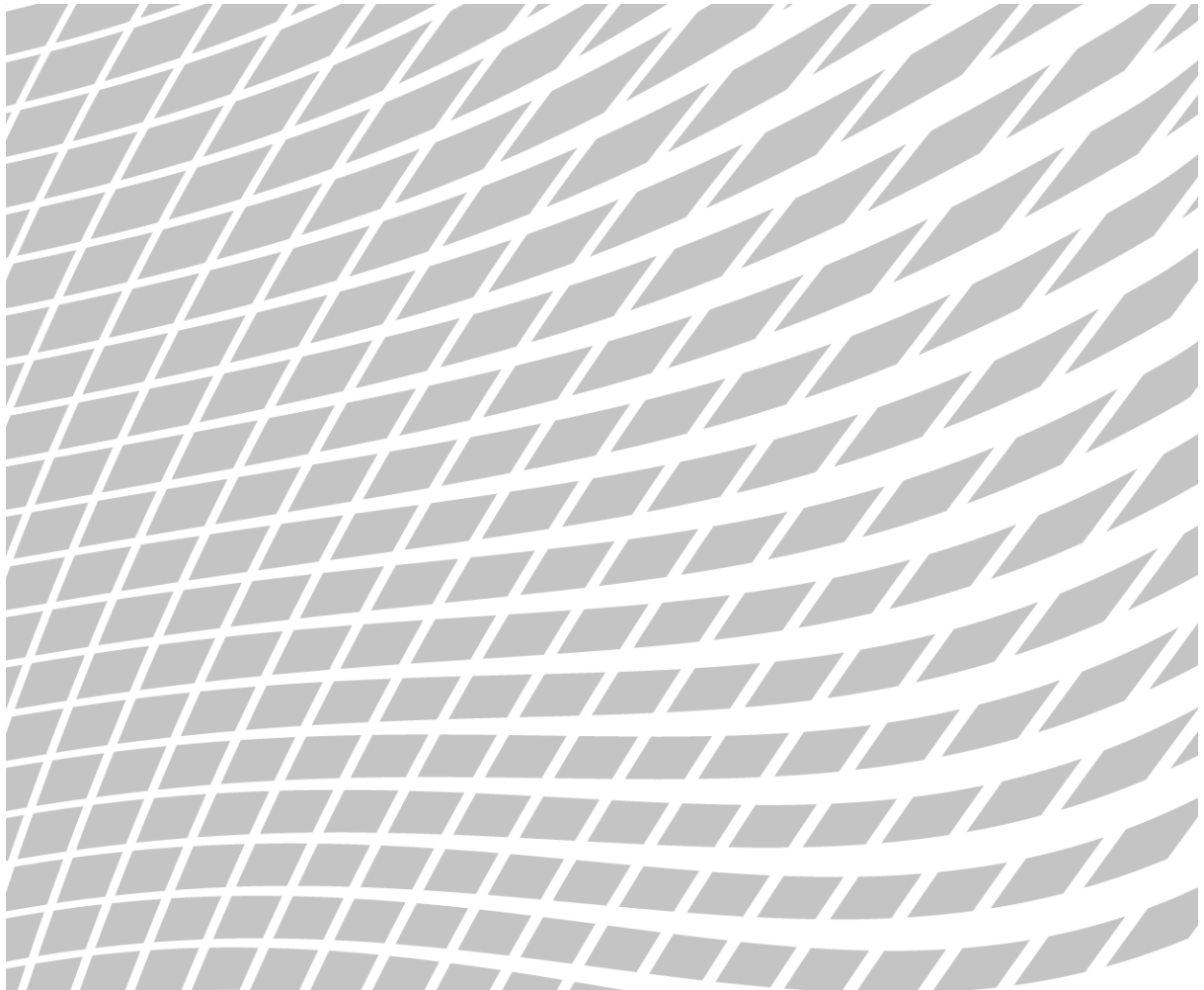


## **IOSCO Principles for Financial Benchmarks**

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The International Organization of Securities Commissions (IOSCO) published its Principles for Financial Benchmarks (the *Principles*) on 17 July 2013.<sup>1</sup> As an ordinary member of IOSCO, FINMA was involved in the work of the IOSCO Board Level Task Force that drafted the *Principles*.

IOSCO developed the *Principles* in light of investigations and enforcement actions regarding attempted manipulation of major benchmarks. These raised concerns over the fragility of certain benchmarks that could undermine market confidence, potentially harming both investors and the real economy. IOSCO's view is that the main risks attached to benchmarks arise from negative incentives stemming from existing conflicts of interest. A lack of structural transparency, together with the broad freedom enjoyed by benchmark administrators and submitters in their decision-making, can further amplify the risk of manipulation.

IOSCO drew up the *Principles* to address the above concerns. FINMA supports IOSCO's efforts. With this in mind, the subject of benchmarks has already been taken up in the revised Circular 2013/8 "Market conduct rules". At the same time, FINMA also welcomes the innovation and diversity prevalent in the field of indices used as benchmarks for financial instruments and financial contracts.

The *Principles* are universal best practice recommendations for setting benchmarks used in financial markets. They cover the aspects of governance, quality of benchmarks and methodologies, and accountability. Benchmarks administered by a national authority for public policy purposes (e.g. consumer price indices) and reference prices produced by central counterparties (CCPs) solely for the purposes of risk management and settlement are explicitly excluded from the scope of the *Principles*.

IOSCO published a communiqué on the implementation of the *Principles* on 30 October.<sup>2</sup> The communiqué states that benchmark administrators must publicly disclose their compliance with the Principles or explain the reasons for any deviation from the *Principles* within 12 months of their publication. However, IOSCO is aware that proportional implementation must take account of the specific characteristics of each benchmark. Such specific characteristics include in particular the extent to which a benchmark is used in financial markets and the risks arising from it.

FINMA recommends that administrators of financial benchmarks active in Switzerland study IOSCO's non-binding *Principles* very carefully and make a voluntary commitment to them by publicly disclosing their compliance as well as any deviations.

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<sup>1</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

<sup>2</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD429.pdf>