

Financial Benchmarks India Pvt Ltd

Benchmarks Cessation Policy

27th September, 2017

Version 1

Introduction

1.1 FBIL is the designated financial benchmark administrator for interest rates and foreign exchange markets in India. Its benchmark administration activities are regulated by Reserve Bank of India. Currently it is administering five financial benchmarks, viz. Overnight MIBOR, Term MIBOR, FC – Rupee options volatility matrix, CD Rates and T Bill Rates. While the benchmarks on Overnight MIBOR, CD and T- Bill Rates are based on traded data, the Term MIBOR and FC-Rupee Options Volatility Matrix for various tenors are based on polling by the identified submitters. The Clearing Corporation of India Ltd (CCIL) is the Calculating Agent (CA) for all the benchmarks.

1.2 IOSCO Principle 13 emphasizes on clearly written policy and procedure that address the need for possible cessation of a benchmark due to market structure change, product definition changes or any other conditions that make it no longer representative of its intended functions.

2. Scope:

2.1 This policy document lays down the policy and procedure for cessation of a benchmark or cessation of a particular tenor of any of the benchmarks that FBIL administers. However, each benchmark depending on its importance will have a specific cessation plan. Further, the policy will apply to a normal cessation of a benchmark or any of its tenor component. In case of any emergency cessation of a benchmark, FBIL will endeavor to serve due notice to the stakeholders about a transition arrangement on a best effort basis

2.2 This policy will be reviewed annually or more frequently, if the situation so warrants.

2.3 FBIL advises that all stakeholders and users of any of the benchmarks administered by FBIL either for pricing or for valuation or for referencing an asset or liability must have their independent back up plan or fall back mechanism and, hence, should exercise their judgment and discretion in using the benchmarks.

3. Grounds for Cessation:

- i. If the underlying interest which the benchmark represents, wanes or changes.
- ii. If the panel of submitters are unable to provide submission due to lack of data sufficiency.
- iii. If a relevant market activity or practice ceases to exist or withdrawn due to regulatory requirements.
- iv. If due to lack of traded data or submitters' inability to provide quotes or rates based on market data or relevant markets or expert judgment for a particular tenor, the benchmark for the tenor cannot be worked out.

4. Cessation Steps:

- i. Timing of cessation
- ii. Transitional arrangement
- iii. Public consultation
- iv. Alternative arrangement

4.1 Timing of Cessation: FBIL will consider all the circumstances leading to the cessation of a benchmark or a specific tenor component of a benchmark and determine the time period required to announce the cessation. It will give sufficient advance notice to all the stakeholders about the cessation programme to enable them to put in place their back up or fall back arrangement that will be necessary to deal with the consequences of cessation, particularly if any contracts referenced to the benchmark are outstanding.

4.2 Transitional arrangement: FBIL will also consider if any transitional arrangements are required or feasible while considering the cessation.

4.3 Public Consultation:

- For working out any transition or cessation plan for a benchmark, all the stakeholders will be duly consulted. This includes submitters, users, and vendors acting as redistribution agents.
- FBIL will carry out consultations with users group who are likely to be affected due to the transition or cessation.
- It will also have consultation with the Reserve Bank of India and any other regulatory authorities on its cessation or transition plans and procedures.
- Following consultation, FBIL will release a public notice regarding the outcome of public consultations and the decision to cease a benchmark or any particular tenor component of a benchmark in the form of a Cessation Notice.

4.4 Alternative arrangement:

- As part of its consultative process, FBIL will examine the possibility of alternative arrangement for the benchmark or its tenor component to be withdrawn from the point of view of the likely impact of such a cessation.
- Wherever possible, FBIL will provide guidance to all the stakeholders about the alternative arrangement or cessation of the benchmark or any tenor component of the benchmark if no alternative is feasible.

5. Publication:

5.1 This Benchmark cessation procedure will be placed on the FBIL website and made available to stakeholders on request.
