

# Oversight Committee Terms of Reference

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# 1 The Benchmarks Oversight Committee Overview

The Danish Financial Benchmark Facility (**DFBF**) is the Benchmark Administrator of the Benchmarks<sup>1</sup>.

The Benchmarks Oversight Committee (**the OC**) is an independent committee appointed by the DFBF Board which has the primary governance oversight of the methodology, determination and dissemination of the Benchmarks. The OC's purpose is to support the integrity, accuracy and reliability of the Benchmarks to the benefit of all users of the benchmarks and reliant market participants. The OC is comprised of a blend of independent experts, representatives from panel banks and the DFBF. Guests, such as representatives from market associations, stakeholder committees, market infrastructure providers and other users of the Benchmarks, may be invited to participate on a non-voting basis.

The OC is embedded within the organisational structure of the DFBF but distinct from other governance functions of the DFBF. A Secretariat to support the OC is provided by the administrator. The OC shall assess and challenge the decisions of the DFBF Board of Directors (**the Board**) with regards to the provision of the Benchmarks to ensure the requirements of regulation, including EU 2016/1011 Benchmark Regulation (**BMR**) are being met.

The DFBF has developed and maintains robust procedures regarding its oversight function, which it makes available to the Danish FSA. The OC is granted access to all DFBF documentation necessary to carry out its duties.

## 2 OC Responsibilities

The OC shall operate with integrity and shall have the following responsibilities, which shall be adjusted by the administrator based on the complexity, use and vulnerability of the Benchmarks.

With respect to the Benchmarks determination:

- Reviewing the Benchmarks definition and methodology at least annually.
- Overseeing the administrator's control framework, the management and operation of the Benchmarks, and the Code of Conduct.
- Assessing internal and external audits or reviews and monitoring the implementation of identified remedial actions.
- Monitoring the input data and contributors and the actions of the DFBF as the administrator of the Benchmarks in challenging or validating contributions of input data.
- Taking effective measures in respect of any breaches of the Panel Bank Code of Conduct.
- Reporting to the Danish FSA any misconduct by contributors or the DFBF of which the OC becomes aware, and any anomalous or suspicious input data.
- Overseeing any changes to the Benchmarks Methodology and being able to request DFBF to consult on such changes.
- Reviewing and approving procedures for cessation of the Benchmarks, or of any individual tenor of the Benchmarks, including any consultation about a cessation.
- Overseeing any third party involved in the provision of the Benchmarks, including calculation or dissemination agents.

With respect to the Benchmarks Panel Banks:

- The OC may require an external audit of a contributor if dissatisfied with any aspects of its conduct.

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<sup>1</sup> Cibur®, Tomorrow/Next, CITA, SWAP

### 3 Appointment of members to the OC

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 Benchmarks 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 demonstrable understanding of how their organisation, and others, use the Benchmarks.
- Independent members must have a good understanding of the BMR and the underlying markets the Benchmarks provide a representative measure of.
- 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.

DFBF 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 time capacity 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.

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

### 4 OC Membership

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
- Representatives from contributors (Panel Banks) to the Benchmarks 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 DFBF staff not part of the DFBF management body nor directly involved in the provision of the Benchmarks.
- At least one person, not part of the DFBF management body, who is involved in the provision of the Benchmarks in a non-voting capacity.
- Members shall not include persons who have been convicted of financial services related offences., in particular, manipulation or attempted manipulation. Declarations should be collected on an annual basis from all OC members as evidence of no convictions of financial services related offences.

Details of the OC membership will be made public on the DFBF website as will any declaration of 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 OC

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 Board or the OC is asked by the Danish FSA to remove the person.
- 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.
- The person is repeatedly absent from 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's 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 OC Meetings and Decisions

The OC meets as needed and at minimum on a quarterly basis. Meeting dates should be scheduled 12 months in advance for regular meetings.

A meeting of the OC will be called whenever one of the OC members so requests. The Chairperson can convene a meeting of the OC with a minimum of 48 hours-notice in exceptional circumstances.

Individual matters may be dealt with in writing, provided that all the members consent. Decisions of the OC will be minuted.

Meeting agenda and supporting documents should be distributed to the OC members one week prior to OC meetings, other than for meetings convened at short notice when agenda and supporting documents should be distributed at a minimum the day prior to the meeting.

The OC decisions are made by voting. The OC constitutes a quorum when two thirds of the OC voting members are present. If a voting member is unable to attend a meeting or participate in the consideration of a matter, the member may provide a proxy vote on agenda items to the Chairperson of the OC or any other member of the OC. OC members unable to attend meetings may not be represented at the meeting by an alternative representative.

Where matters for determination cannot be agreed by consensus, an affirmative vote from at least three quarters of OC members present is required for a motion to be carried.

The OC's decisions shall record any objections raised against the majority's conclusions. In case of dissent, the minutes shall indicate which members voted for and against each decision.

OC meeting discussion and decisions will be minuted, such minutes to be prepared by the Secretariat and distributed to OC members within one week following the meeting.

Summarised versions of the OC minutes, including OC decisions, shall be made publicly available by publication on the DFBF's website within 14 days of OC meetings.

## 7 Managing Conflicts of Interest within the OC

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. 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 DFBF 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:

- 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 such minutes redacted prior to publication.
- OC members who 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 DFBF will revise the structure of the OC and where appropriate, replace the conflicted members.

## 8 Final Provisions

Rules governing the operational functioning of the OC are detailed in the accompanying document “Oversight Committee Rules and Procedures”.

This document will be publicly available on the DFBF website.