

Benchmark Review Policy

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1 Introduction

The Danish Financial Benchmark Facility (DFBF) is the administrator of CIBOR, T/N, CITA & SWAP, together with the DFBF benchmarks. The DFBF has developed and implemented this Benchmark Review Policy, being a formalised and approved process for the review of DFBF Benchmark's definition and methodologies at a frequency consistent with legislation, regulation, and good practice.

2 DFBF Benchmark Review Policy

2.1 Introduction

The DFBF intends to provide transparency about the benchmark's purpose and methodology.

As part of this transparency, this policy describes the process for the periodic review of the benchmark methodology to ensure that the chosen methodology produces a benchmark that reflects the underlying economic reality that it measures.

2.2 Back testing

The DFBF shall ensure that any back-testing, as appropriate, to which the benchmark methodology is subject takes place ex post and refers to an appropriate time horizon.

Back-testing shall take place at least at each annual review of the benchmark methodology and following any material change of that methodology.

2.3 Stress testing

DFBF shall:

- assess the impact of various market conditions on the methodology using historical data from stressed market conditions, if appropriate historical data are available,
- use parameters and assumptions in the methodology to capture a variety of historical conditions including the most volatile periods experienced by the markets and taking into account a variety of hypotheses for correlation between underlying assets.

2.4 Responsibility

The responsibility for the annual review lies with the Oversight Committee. The DFBF Secretariat will provide assistance, at the direction of the Oversight Committee, to perform analysis of underlying market activity and the collation of relevant metrics and reports.

2.5 Review Process

The DFBF Oversight Committee will use a number of means to review the benchmark methodology;

- Spread to similar markets and other benchmarks/indexes
- Number of outlier submissions to the benchmark
- Number of submitters to the benchmark
- Historical data analysis
- Other metrics that are developed from time to time

The metrics will be collected by the DFBF Secretariat each quarter and provided to the DFBF Oversight Committee as part of its review process.

Each quarter the Oversight Committee will review the metrics and note any material changes to the underlying market. On an annual basis, the Oversight Committee will make their final assessment of the conditions in the underlying market and the fitness of the benchmark methodology.

2.6 Final Assessment

The Oversight Committee will review the conditions of the underlying market and the fitness of the benchmark methodology. It will either determine;

- a. the current benchmark methodology continues to be suitable for its intended purpose,
- b. the current benchmark methodology is no longer suitable for its intended purpose and would benefit from some adjustment.

2.7 Oversight Committee Recommendations

In the case that the Oversight Committee determines that the benchmark methodology is no longer suitable for its intended purpose, due to changes in the underlying market, it will recommend to the Board of Directors, one of the following courses of action;

- a. a change to the methodology to ensure its suitability to measure the underlying market conditions,
- b. investigate alternate comparative benchmarks that could facilitate a cessation of the benchmark.

In each case the Oversight Committee would provide a rationale for their recommendation and a request to undertake a consultation on any material change.

2.8 Publication of Benchmark Review

The DFBF will publish on its website the results of its annual review of the benchmark methodology, including any proposed changes to the methodology and the rationale behind such changes.

2.9 Post Benchmark Review actions

In the case that a review of the benchmark, under the Benchmark Review Policy, results in a recommendation for a material change to the benchmark methodology, the Board of Directors will utilise the DFBF Consultation policy to elicit feedback from stakeholders. Subject to the results of the consultation the Board of Directors may decide to implement the recommended changes and will take appropriate steps to achieve this objective.