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FTSE Russell Critical Benchmark Methodology Change and Cessation Policy

FTSE International Limited

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1 Introduction

1.1 Regulatory Environment

London Stock Exchange Group (“LSEG”) is a leading global financial markets infrastructure and data provider, trusted to deliver excellence by customers, partners and markets around the world. We play a vital social and economic role in the world’s financial system. With our trusted expertise and global scale, we enable the sustainable growth and stability of our customers and their communities.

LSEG offers benchmark and index solutions through FTSE Russell. FTSE International Limited (“FTSE”) under the FTSE Russell brand

FTSE International Limited (“FIL”) is authorised in the UK by the FCA under the UK BMR and in accordance with the relevant obligations of the International Organisation of Securities Commissions (“IOSCO”) Principles for Financial Benchmarks.

FTSE Russell is a global index provider of benchmarks, analytics and data with capabilities across asset classes. FTSE Russell’s indices are used by clients to inform asset allocation decisions, support portfolio construction and conduct risk and performance analysis.

1.2 Document Scope

This document is, unless specifically provided otherwise, applicable to all benchmark families that are categorised as Critical under the BMR., i.e. the WMR Closing Spot Rates.

1.3 Purpose of Document

This document contains the FTSE Russell Benchmark Methodology Change and Benchmark Cessation Procedures.

These procedures are published in accordance with Article 28(1) of the UK BMR, which requires an administrator to “publish, together with the Benchmark statement referred to in Article 27, a procedure concerning the actions to be taken by the administrator in the event of changes to or the cessation of a Benchmark which may be used in the United Kingdom in accordance with Article 29(1). The procedure may be drafted, where applicable, for families of Benchmarks and shall be updated and published whenever a material change occurs”.

1.4 Notice to Supervised Entities

Supervised Entities that use Benchmarks are required, as per Article 28(2) of the UK BMR, to “produce and maintain robust written plans setting out the actions that they would take in the event that a Benchmark materially changes or ceases to be provided. Where feasible and appropriate, such plans shall nominate one or several alternative Benchmarks that could be referenced to substitute the Benchmarks no longer provided, indicating why such Benchmarks would be suitable alternatives. The supervised entities shall, upon request, provide the FCA with those plans and any updates and shall reflect them in the contractual relationship with clients”.

2 Benchmark Methodology Change Policy

2.1 Introduction

Each FTSE Russell Benchmark shall be subject to an internal review on at least an annual basis.

The relevant Product Manager is responsible for reviewing the methodologies and implementing the internal review process.

2.2 Trigger for Change Procedures

These change procedures can be triggered for a Benchmark Methodology from a range of sources, including but not limited to:

- a) a periodic review of a Benchmark Methodology as described in the FTSE Russell Benchmark Internal Review Policy;
- b) on the recommendation of FTSE Russell or the relevant Benchmark Oversight Committee;
- c) on the recommendation of management within the Content Operations division, Benchmarks and Indices division or the Compliance department;
- d) issues raised by stakeholders including Users of a Benchmark;
- e) relevant regulatory or industry developments; or
- f) back testing result update.

2.3 Analysis and Materiality

Analysis: Once the Change Procedures are initiated for a Benchmark Methodology, FTSE Russell will conduct an analysis of the impact of the proposed change on the Benchmark and will determine whether the proposed change:

- a) is beneficial to the quality and representativeness of the Benchmark with respect to the underlying market or reality that it represents; and
- b) constitutes a material or non-material change to the Benchmark Methodology. In making such determinations, RBSL will seek the advice and feedback of the relevant Benchmark Oversight Committee.

Determine the materiality: In determining the materiality of the proposed change, FTSE Russell will have regard to:

- a) any fundamental change to the process by which the Benchmark is determined;
- b) any change to the underlying market or reality represented by the Benchmark or any significant change to how that underlying market or reality is represented;
- c) where applicable, whether any change to the panel of Contributors would adversely and materially affect the representativeness of the input data used in the Benchmark determination; and
- d) whether the change would significantly alter a Benchmark value after the usual rounding is applied to that Benchmark.

In order to assess potential materiality, FTSE Russell may seek informal views from Benchmark Users. FTSE Russell will also notify the FCA about any proposed methodology changes.

For the avoidance of doubt, changes to document formatting shall not constitute a material change to a Benchmark Methodology.

If FTSE Russell determines that the change is beneficial to the quality and representativeness of the Benchmark with respect to the underlying market or reality that it represents but does not constitute a material change to the Benchmark Methodology, FTSE Russell shall amend and publish the Benchmark Methodology.

If FTSE Russell determines that the change is beneficial to the quality and representativeness of the Benchmark with respect to the underlying market or reality that it represents and does constitute a material change to the Benchmark Methodology, FTSE Russell shall follow its Consultation Process described below.

2.4 Stakeholder Consultation

For a proposed change to a Benchmark Methodology that constitutes a material change defined in 2.3, FTSE Russell shall issue a consultation document with the purpose of soliciting comments and feedback. As per Article 5 (3) (b) of UK BMR the Oversight Committee is able to request the administrator to consult on changes to the Benchmark Methodology.

The consultation document shall include the proposed change to the Methodology, the rationale for proposing the change, the reason the proposed change is material, any regulatory or legal implications of the proposed changes, and an impact assessment of the proposal. The consultation document shall include FTSE Russell's assessment as to whether the representativeness of the Benchmark and its appropriateness for its intended use are impacted by the proposed change.

Consultation papers are reviewed and agreed by the relevant Benchmark Oversight Committee and approved by FTSE Russell before publication.

The consultation document shall be issued to stakeholders including known Users of Benchmark, Contributors to the Benchmark if applicable, Redistributors of the Benchmark, and Market Advisory Committee Members if applicable. The consultation document shall also be published on the Refinitiv website and will be made available on request to any third party. The FCA shall be notified of any such consultation.

The consultation document shall specify a period for the consultation which will be set in accordance with the circumstances and urgency surrounding the proposed change but will typically be four weeks. Comments received and FTSE Russell's response to those comments will be accessible after any consultation, except where confidentiality has been requested by the originator of the comments.

2.5 Implementation

Following the end of a consultation, FTSE Russell will give due consideration to any feedback received. FTSE Russell will publish an outcome of the consultation and may include anonymised comments frequently received and RBSL's response to such feedback if appropriate.

Following receipt of feedback, FTSE Russell will determine whether to proceed with the change whilst also considering the advice of the relevant Benchmark Oversight Committee in making such determination. All material changes to a benchmark methodology are subject to final approval by RBSL.

If the determination is to proceed with the proposed change, FTSE Russell will announce that determination and set out the applicable effective dates for the confirmed change. The notice period shall depend on the nature of the Benchmark and the confirmed change.

If the determination is not to proceed, FTSE Russell will announce that determination.

The amended Benchmark Methodology and, if applicable, Benchmark Statement documents will be issued following announcement of a confirmed change.

2.6 Force Majeure

Exceptional events may necessitate an immediate change to a Benchmark Methodology. In such exceptional circumstances, RBSL may elect not to follow this Procedure, but will provide as much notice as is practicable.

Following such a change FTSE Russell will conduct an internal review of the Methodology in accordance with the FTSE Russell Benchmark Internal Review Procedures.

3 Benchmark Cessation Policy

3.1 Introduction

This document addresses only those cases where RBSL is the Administrator of a Benchmark, as per Article 3(6) of the BMR and by the IOSCO Principles for Financial Benchmarks. In these cases FTSE Russell will carry out the Administration of Benchmarks in a manner that is aligned with the IOSCO Principles for Financial Benchmarks, consistent with any applicable regulation such as the BMR, and in the best interests of the markets each Benchmark serves.

3.2 Potential reasons for the Cessation of a Benchmark

- 3.2.1 In certain circumstances, it may be necessary for FTSE Russell to cease the provision of a particular Benchmark rate. This may be due to external factors beyond the control of FTSE Russell, including a market structure change or deterioration in input data sufficiency for a particular currency, tenor, or instrument. Where further explanation for individual Benchmarks is required regarding cessation policy, these are detailed within the Appendix Section of this Policy.
- 3.2.2 FTSE Russell keeps under review:
- a) the structure and liquidity of the market underlying each Benchmark;
 - b) the representativeness of the input data used to determine each Benchmark, whether this is an automated feed of data, submissions from a panel, or other mechanism or combination of mechanisms;
 - c) the products each Benchmark seeks to facilitate or underpin; and
 - d) to the extent feasible, the User base for each Benchmark and the use cases for each Benchmark.
- 3.2.3 In its review of the above and potentially other factors it may be that FTSE Russell takes the view that the Benchmark is no longer representative of its intended interest or market, and that this cannot be remedied by a corrective change to the Benchmark methodology, design, or other aspect of the processes and procedures around the creation and usage of the Benchmark. All proposed cessations are subject to final approval by RBSL.
- 3.2.4 In the above case, FTSE Russell will follow the Benchmark Cessation Procedures laid out below. In extreme circumstances RBSL believes are beyond its control, it may be necessary to follow the Emergency Benchmark Cessation Procedures laid out below.

3.3 Benchmark Cessation Procedures

- 3.3.1 On becoming aware that due to the circumstances listed above or other circumstances that it may be necessary to cease calculation and distribution of a Benchmark, FTSE Russell will carry out a detailed analysis of the estimated breadth and depth of usage, including financial contracts, financial instruments, and funds that reference the Benchmark and the economic and financial stability impact that might result from the cessation of the Benchmark, to ensure that the response is proportionate.
- 3.3.2 FTSE Russell will consider the selection of a credible, alternative Benchmark such as, but not limited to, criteria that seek to match to the extent practicable the existing Benchmark's characteristics (e.g. credit quality).
- 3.3.3 FTSE Russell will consider the practicality of maintaining parallel Benchmarks (where feasible) in order to accommodate an orderly transition to a new Benchmark.
- 3.3.4 FTSE Russell will hold an extraordinary Benchmark Oversight Committee meeting to seek advice and a recommendation with regard to the possible cessation the Benchmark.
- 3.3.5 FTSE Russell will carry out a public consultation to take into account the views of stakeholders and any relevant regulatory bodies in determining what specific procedures are appropriate and the impact of ceasing a particular Benchmark. Consultation papers are reviewed and agreed by the relevant Benchmark Oversight Committee and approved by the FTSE Russell before publication.
- 3.3.6 In all cases, FTSE Russell will take all reasonable steps to ensure that all Users and other stakeholders are made aware as soon as possible of any intention or possible necessity to cease a Benchmark.
- 3.3.7 Such communications will be designed to give Users and stakeholders as much warning as possible of an intention to cease calculation and will be published on FTSE Russell's website as well as all the usual alert pages maintained on RBSL's products.
- 3.3.8 Following the consultation, FTSE Russell may publish a summary of comments received, and a decision on whether to cease or not in a Cessation Notice. All cessations are subject to final approval by the FTSE Russell.
- 3.3.9 If the decision is to cease, FTSE Russell will include an indicative calendar in the Cessation Notice. The calendar may include a period of suspension, following which any further comments received will be considered before the final cessation of the Benchmark.
- 3.3.10 Typically, Users will be given a six-month notice period prior to the cessation of a benchmark. The exact length of the notice period would take into consideration relevant factors, including but not limited to:
- a) the urgency of ceasing the benchmark;
 - b) the length of time Users need to adequately prepare;
 - c) technology issues; and
 - d) legal and / or regulatory provisions
- 3.3.11 Where possible and appropriate, FTSE Russell will publish along with the Cessation Notice guidance for Users and other stakeholders on potential alternative or replacement Benchmarks.

3.4 Additional Benchmark Cessation Procedures for Critical Benchmarks

- 3.4.1 The following procedures will be performed if the Benchmark being ceased is a Critical Benchmark as defined by the conditions included in Article 21(1) of UK BMR.
- 3.4.2 If FTSE Russell intends to cease providing a critical Benchmark, FTSE Russell shall:
- a) immediately notify the FCA in writing; and
 - b) within four weeks of such notification submit an assessment of how the Benchmark:
 - i. is to be transitioned to a new administrator; or
 - ii. is to be ceased to be provided, taking into account the procedure established in Article 28(1).
- 3.4.3 During the period referred to in point (b), FTSE Russell shall not cease provision of the Benchmark.
- 3.4.4 Upon receipt of the assessment of FTSE Russell referred to in paragraph 3.4.2, the FCA shall within four weeks, make its own assessment of how the Benchmark is to be transitioned to a new administrator or be ceased to be provided, taking into account the procedure established in accordance with Article 28(1).
- 3.4.5 During the period of time referred to in point (b) of 3.4.2 RBSL shall not cease the provision of the Benchmark without the written consent of the FCA.
- 3.4.6 Following completion of the assessment referred to in point (b) of 3.4.2, the FCA shall have the power to compel FTSE Russell to continue publishing the Benchmark until such time as:
- a) the provision of the Benchmark has been transitioned to a new administrator;
 - b) the Benchmark can be ceased to be provided in an orderly fashion; or
 - c) the Benchmark is no longer critical.
- 3.4.7 For the purposes of 3.4.6, the period for which the FCA may compel FTSE Russell to continue to publish the Benchmark shall not exceed 12 months.
- 3.4.8 By the end of that period, the FCA shall review its decision to compel FTSE Russell to continue to publish the Benchmark and may, where necessary, extend the time period by an appropriate period not exceeding a further 12 months. The maximum period of mandatory administration shall not exceed 24 months in total.
- 3.4.9 If the FCA decides to compel the administrator to continue publishing the benchmark under paragraph 3, the FCA must assess the capability of the benchmark to measure the underlying market or economic reality, taking into account, among other things, the procedure established by the administrator in accordance with Article 28(1) of UK BMR.
- 3.4.10 After making its assessment under paragraph 3A, the FCA must give the administrator:
- (a) a written notice stating that it considers that the benchmark is not representative of the market or economic reality that it is intended to measure or that the representativeness of the benchmark is at risk, or
 - (b) a written notice stating that it considers that the representativeness of the benchmark is not at risk.
- 3.4.11 The FCA must make its assessment under paragraph 3A, and give the notice under paragraph 3B, before the end of the period of 28 days beginning with the day on which the FCA notifies the administrator of its decision to compel the administrator to continue publishing the benchmark.
- 3.4.12 Without prejudice to 3.4.2, in the event that FIL as the administrator of a critical Benchmark is to be wound down due to insolvency proceedings, the FCA shall make an assessment of whether and how the critical Benchmark can be transitioned to a new administrator or can cease to be provided in an orderly fashion, taking into account the procedure established in accordance with Article 28(1).
- 3.4.13 Further to the above, upon a benchmark being designated as critical by the FCA, FTSE Russell shall provide to the FCA an assessment of i) the nature and extent of the current use of the benchmark, ii) the availability of suitable alternatives to the benchmark and iii) how prepared users of the benchmark are to changes to, or the cessation of, the benchmark.

3.5 Emergency Benchmark Cessation Procedures

It is possible in extremis that circumstances beyond FTSE Russell's control arise which mean that it is necessary to cease a Benchmark with little notice. This may include a sudden change in circumstances or markets that result in it being impossible to collect sufficient data to produce a viable Benchmark, and impossible to source alternative or back up inputs.

Under these extreme circumstances, FTSE Russell will ensure that all relevant information including back-up plans and, where possible and appropriate, information on alternative Benchmarks is published for Users and stake as rapidly as possible, and updates are given as circumstances evolve.

4 Record Keeping

4.1 Record Keeping Requirements

FTSE Russell must maintain relevant records in accordance with the FTSE Russell Record Retention Policy. Closed public consultations will be retained on the relevant website or be available upon request.

Product Managers are responsible for keeping a 'Methodology Review & Change Log' to note the relevant information for how the change is reviewed and approved:

- a) Analysis of the impact (relevant document to be retained where needed);
- b) Materiality of the change;
- c) Consultation document, consultation period, and feedback (relevant document to be retained where needed);
- d) Determination of whether to proceed with evidence of approval; and
- e) Updated Methodology with effective date.

FTSE Russell must maintain relevant records when it intends to cease a Benchmark in accordance with the FTSE Russell Record Retention Policy. Records regarding the cessation such as, rationale, relevant discussions and meeting minutes, key communication points with regulator, and other key records shall be retained.

5 Document Review Cycle

5.1 Document Review Frequency

This document must be reviewed on at least an annual basis to ensure it remains appropriate and consistent with regulatory requirements, industry standards, and business changes.

5.2 Additional Requirements for Critical Benchmarks

Upon any benchmark being designated as critical by the FCA, this document needs to be submitted to the FCA for review and approval within the consideration period laid out in paragraph [1D of Article 28](#) of the UK BMR. In case of any changes to this document after a benchmark has been designated as critical, the document also needs to be submitted to the FCA for review and approval, along with the assessment referenced in section 3.4.13 above.

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

CONTACT US

To learn more, visit [lseg.com/ftse-russell](https://www.ftserussell.com); email info@ftserussell.com; or call your regional Client Service team office:

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