



# RATE CONTRIBUTION GUIDELINES

Australian Financial Markets Association  
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# Rate Contribution Guidelines

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## Australian Financial Markets Association

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## 1. WHAT THESE GUIDELINES ARE ABOUT

Financial benchmarks are widely used as reference for determining payments under a variety of financial instruments and are a key support for economic activity. The integrity of these benchmarks is critical to the effective functioning of markets and investor confidence. A common understanding around how organisations internally handle contributions of rates for the purpose of financial benchmark preparation should assist industry consistency. These Guidelines have been developed to fulfil this need.

These Guidelines are supplemental to the AFMA Code of Conduct and should be read in conjunction with this code.

## 2. DEFINITIONS

**Administrator:** means the organisation that receives rate contributions for the preparation of a Benchmark Rate and publishes that Benchmark Rate.

**Benchmark Rate:** means a collective industry supported or commercial published price assessment distributed regularly to third parties and primarily intended for use as a reference in determining the pricing of, or the amount payable in relation to a financial instrument or contract. For example, a benchmark rate may be established from the market prices or rates for transactions in securities, derivatives or foreign exchange.

**Contributor Entity:** means an organisation that contributes a Rate to an Administrator for the purpose of calculating a Benchmark Rate for reference by financial market participants.

**Contributing Officer:** means a staff member of the Contributing Entity whose responsibilities include the submission of a Rate.

**Rate:** means a price assessment in respect of a financial instrument or contract.

**Rate Contribution:** means a rate that is contributed by a Contributing Entity to the Administrator for the purpose of preparing a Benchmark Rate.

**Rate Contribution Procedures:** means the processes and methodologies specific to the calculation, handling and submission of a Rate.

**Supervisor:** means a person nominated by the Contributing Entity to be directly responsible for significant day-to-day operational oversight of the work of the contributing Officer. Such a person shall have practical experience that enables them to understand the responsibilities and requirements of their role in respect of the Rate.

### 3. INTERNAL CONTROLS

The Contributor Entity shall implement internal controls and procedures to prevent improper communications with the Contributing Officer and the Supervisor regarding a Rate Contribution whether current or prospective to ensure the integrity and reliability of its Rate Contribution.

Internal controls and procedures shall, where appropriate, include controls such as internal segregation implemented through written policies and procedures that clearly describe proper and improper communications, both internal and external to the Contributing Entity.

For these purposes, improper communications is any communication that attempts to influence the Contributing Entity's Rate Contribution for the benefit of any financial product dealing (whether of the Contributing Entity or any third party) or any attempt to cause the Contributing Officer to breach any applicable Rate Contribution Procedures.

Internal segregation may include sufficient controls (such as physical separation) so that the Contributing Officer and traders who deal in financial products that reference a Benchmark Rate to which the Contributing Entity is making a Rate Contribution cannot readily communicate.

### 4. SYSTEMS

#### 4.1. Contingency plan

The Contributing Entity shall have a contingency plan for submitting data due to a failure in the infrastructure or other factors, where practicable.

#### 4.2. Timely and consistent delivery of Rate Contributions

The Contributor Entity shall ensure that it has processes in place to ensure the timely and consistent delivery of Rate Contributions to the Administrator in accordance with the Rate Contribution Procedures.

#### 4.3. Record-keeping

The Contributor Entity shall retain for a period of seven (7) years records relating to the Rate Contribution process (over and above transaction-related records). Records should include the following:

- any calculations, records and notes of the Contributing Officer and Supervisor surrounding Rate Contribution and subsequent sign-off, including any such records sent to the Administrator;
- the names of individuals and their responsibilities;
- any communications between different Contributing Entities and others in determining submissions, such as internal and external traders and brokers;

- any queries about a Rate Contribution before it is submitted and response to such a query;
- any daily position and risk reports, including monthly and quarterly position and risk reports, related to the trading activities of the traders who primarily deal in products that reference a Benchmark Rate; the records and reports shall be easily accessible and convertible into standard data exchange formats.

#### 4.4. Monitoring

The Contributor Entity shall develop and/or maintain monitoring systems or exception reporting processes that identify possible unsubstantiated or non-conforming Rate Contribution(s). Such systems will be regularly reviewed by internal audit and if there is any significant deviation or issues, the underlying documentation for the contribution shall be reviewed to determine whether the Rate Contribution is adequately substantiated. If it is not substantiated, the Contributor Entity shall have in place arrangements for notification of the Supervisor and relevant compliance or legal personnel.

### 5. Human resource issues

#### 5.1. Nomination of Contributing Officer

The Contributing Entity shall nominate a Contributing Officer who has the necessary knowledge and has undergone the required training to accurately follow the Rate Contribution Procedures in a timely and consistent manner.

#### 5.2. Managing conflicts of interest

The Contributing Entity shall have a documented policy relevant to the Rate Contribution Procedures which identifies and provides for managing conflicts of interest that a Contributing Officer may face arising from their other responsibilities in the organisation. Monitoring of situations which may give rise to conflicts of interest for the Contributing Officer in line with the policy and providing advice on the practical handling of such conflicts of interest is the responsibility of the Supervisor and/or such other specialised support functions on conflicts management within the Contributing Entity.

The Contributing Entity shall ensure that records are kept of conflict of interest situations relating to the Contributing Officer and any advice that may be given to the officer in this regard. Such records shall be provided on a regular basis to the Contributor Entity's compliance or legal function, where applicable.

#### 5.3. Record keeping of conflicts of interest

The Supervisor shall keep a record of situations which give rise to a conflict of interest for the Contributing Officer and any advice given to the officer in this regard. Such records shall be provided on a regular basis to the Contributor Entity's compliance or legal function

#### 5.4. Training Programs

The Contributing Entity shall maintain training programs for all staff who are involved in the Rate Contribution Procedures, including Contributing Officers and Supervisors, and all traders who primarily deal in products that reference a Benchmark Rate.

Contributing Officers and Supervisors shall be provided with preliminary training regarding the policies and controls relating to the Rate Contribution Procedures.

The training shall be based upon the individual's position and responsibilities and address the following topics:

- the technical and operational aspects of the Rate Contribution Procedures;
- internal policies regarding Rate Contributions;
- the law and regulation relating to dealing in financial instruments and contracts associated with the Rate Contribution and Benchmark Rate, particularly in relation to market misconduct;
- the impropriety of attempting to influence the submitter, or the determination of the Rate Contribution;
- the employment and other potential consequences if employees act unlawfully or improperly in connection with the Rate Contribution, including prior to, during and after the Rate Contribution has been made; and
- these Guidelines.

#### 5.5. Performance management

The Contributing Officer shall have experience in the markets relevant to the Rate Contribution or a comparable market, but may designate less experienced parties, who routinely work under their supervision, to make contributions during limited periods of absence.

The Supervisor shall have significant experience in the markets for the relevant Rate Contribution or a comparable market.

### 6. COMPLAINTS AND BREACHES

Complaints concerning the accuracy or integrity of the Contributor Entity's contribution shall be recorded and reviewed by the Contributor Entity's compliance or legal personnel. Such complaints and concerns shall be thoroughly investigated and recorded appropriately.

## 7. Escalation

If any questionable, unusual or unlawful activity concerning the Contributor Entity's contributions is detected it shall be reported to the relevant Supervisor, legal and compliance function, and to the Chief Executive Officer or senior country officer, as appropriate, and to the Administrator of the relevant Benchmark Rate.

## 8. Disciplinary procedures

In the event that a Contributing Officer is found by internal investigation of the Contributing Entity to have acted with impropriety with regard to the Rate Contribution that person shall immediately cease to be a Contributing Officer and be subject to the relevant internal performance review [and if applicable, disciplinary measures].

In the event that a material breach of the law by the Contributing Officer is detected that matter shall be reported to ASIC in accordance with section 912D of the Corporations Act in accordance with internal compliance escalation procedures.

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