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AFME Response to the European Commission consultation document on the Regulation of Indices: a Possible Framework for the Regulation of the Production and Use of Indices serving as Benchmarks in Financial and other Contracts

Submitted by email to: MARKT-BENCHMARKS-CONSULTATIONS@ec.europa.eu

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the European Commission's public consultation document on the Regulation of Indices.

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants.

AFME endorses the response by the Global Financial Markets Association (GFMA). AFME members have provided significant input to the GFMA response and the revised set of Principles for Financial Benchmarks which the GFMA has recently developed in order to promote both the integrity and efficiency of the global financial markets. Indices and benchmarks are a topic of great importance to GFMA and AFME members and we believe there would be value in sharing our work on industry agreed principles as these cover many of the areas of focus of this consultation.

For ease of reference we have attached the GFMA response to this consultation and the revised Principles for Financial Benchmarks (November 2012).

We strongly believe that international and globally coordinated standards are needed to govern the issuance of financial benchmarks and welcome the efforts of the international regulatory community to examine this issue in order to promote integrity, trust and fairness in the financial services industry. Regulators such as the EU Commission, IOSCO or FSB may wish to consider using the GFMA principles as basis for the development of a new regulatory framework.

We would like to draw your attention to the following specific points:

- We are supportive of the recent amendments to the market abuse regulation and directive to clarify that manipulation of benchmarks can be subject to administrative and criminal sanctions.
- Given the significant importance of benchmarks and indices to the stability of financial markets, we believe that before taking substantive legislative action, further work on surveying the governance and uses of benchmarks is required. We therefore welcome the Commission's statement that this consultation does not yet represent a final policy position or proposal.

- We believe that using the correct definition of benchmarks is particularly important and suggest that the Commission may wish to adopt the definition of benchmark provided by the GFMA Principles for Financial Benchmarks ¹ whilst in particular noting the exemptions to scope suggested.

We would be happy to discuss any of the points raised in our response and look forward to continuing to engage with the EU Commission on this important topic.

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Attachment:

GFMA response to Consultation document on the regulation of indices

¹ a **benchmark** will be defined as a commercial or published price assessment, distributed regularly to third parties and extensively used as a reference in determining the pricing of, or the amount payable pursuant to, a financial instrument or contract. Benchmarks may be established from the market prices or rates for transactions in debt or equity securities, the foreign exchange, money and commodity markets, or derivatives of any of these.