

## 2017 CONFLICT OF INTEREST OVERSIGHT COMMITTEE REPORT TO THE BOARD OF DIRECTORS

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### Foreword

Effective and transparent management of conflicts of interest is a key element of the governance and control framework of a Benchmark Administrator.

I am glad that EMMI recognised the importance of this topic back in 2014, which led to the creation of a Conflicts of Interest Oversight Committee (CIOC), independent from any other governing body of EMMI.

In 2017, third year of activity of the CIOC, the main focus was the further improvement of EMMI's control framework with regard to Conflicts of Interest. While continuously striving for improvements in the transparency and level of disclosure of potential conflicts of interest, the CIOC also closely monitored the implementation of recommendations from previous years. In addition, the CIOC continued to promote awareness and best practices at all levels of EMMI.

As Chairman of the CIOC, I thank my colleagues in the CIOC for their active participation in the discussions as well as the Secretary General and the staff of EMMI for their support. I also thank the Chairpersons of the Board of Directors, Audit Committee and Steering Committee, who contributed to promoting transparency with regard to potential conflicts of interest during their respective meetings.

The CIOC is committed to continuously support EMMI with its expertise and independent judgement for the consolidation and further enhancement of its conflicts of interest management.

**Karel VAN HULLE**

Chairman of the Conflict of Interest Oversight Committee

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## 1. Role and Responsibilities of the Conflict of Interest Oversight Committee

The Terms of Reference of the CIOC are included in the Conflict of Interest Policy and Procedure whose last revision was approved by the General Assembly on 4 April 2017.

The duties of the CIOC are clearly defined in the Terms of Reference, while the specific activities to be performed in the prevention, identification and management of conflicts of interest are further detailed in the relevant sections of the Conflict of Interest Policy and Procedure.

The main areas of activity of the CIOC include:

- a) Monitoring the effectiveness of the Conflict of Interest Policy and of the procedure to manage and mitigate conflicts of interest situations;
- b) Monitoring the potential situations of conflict of interest, arising out of the administration of each of the EMMI Benchmarks, the STEP Market Convention, or the functioning of EMMI at the association level; advising the Board of Directors, or the General Assembly where relevant, on how to deal with these situations;
- c) For the purpose of identifying relevant conflicts, considering:
  - communications made by Relevant Persons;
  - representations or complaints made from external parties to EMMI;
  - other internal EMMI documents and information.

- ~~d) Advise the Steering Committee, the Board of Directors, or the General Assembly where~~

The activities carried out by the CIOC for each of the areas described above are detailed in section 3 of this report.

## 2. Composition of the Conflict of Interest Oversight Committee

In accordance with the Terms of Reference, the CIOC must be composed of at least 3 Members (one Chair and two Members) chosen among experts with recognized independence, standing and experience in financial markets and/or financial services and/or in financial regulations and control systems.

The following persons were members of the CIOC in 2017<sup>1</sup>:

- **Mr Karel VAN HULLE (Chairman)**, originally appointed in February 2014 and reappointed in March 2016, previously Head of Unit at the European Commission, currently Emeritus Professor at the KU Leuven and Honorary professor at the Goethe University in Frankfurt and Member of the Public Interest Oversight Board;
- **Mr Stefano CARCASCIO**, originally appointed in February 2014 and reappointed in March 2016, previously Head of Supervision of Financial Markets, and Representative in the UK of Banca d'Italia, currently Member of the Board at the Italian Chamber of Commerce for the UK and Member of the Advisory Board at OMFIF - Official Monetary and Financial Institutions – London. He is also independent member of the Board of CSR Bank;
- **Mr Robert PEIRCE**, appointed in September 2016, senior audit partner at PWC for more than 25 years and former chairman of the Belgian Accredited Financial Services Auditors, currently Professor at Louvain School of Management and at Solvay School of Economics.

The Members are elected by the General Assembly for a two-year renewable mandate.

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<sup>1</sup> The mandates of Mr Karel Van Hulle and Mr Stefano Carcascio were renewed by the General Assembly on 23 March 2018 for another two-year term.

### 3. Activities of the Conflict of Interest Oversight Committee for the year 2017

The CIOC held two meetings during 2017: on 5 February and 5 December.

During those meetings, the CIOC:

- evaluated the status of implementation of the recommended actions;
- assessed the implementation and effectiveness of the Conflict of Interest Policy and Procedure;
- approved a revised version of the Conflicts of Interest Policy and Procedure ;
- analysed relevant documents for the identification of potential, perceived or actual conflicts of interest, including declarations of interests of Relevant Persons, meeting minutes and a mapping of potential conflicts of interest;
- reviewed the internal audit report on conflicts of interest management; and
- provided additional recommendations to ensure the full and effective implementation of the Conflict of Interest Policy, e.g. content and format of declarations of interests.

During their meetings, the CIOC also received regular updates on benchmarks reforms and regulatory and supervisory developments.

#### 3.1 Monitoring the effectiveness of the Conflict of Interest Policy and of the procedure to manage and mitigate conflicts of interest situations

##### *3.1.1 Conflict of Interest Policy and Procedure*

The CIOC developed and approved a revised Conflict of Interest Policy and Procedure on 5 February 2017, extending the scope of the Policy to cover all EMMI benchmarks operations and not only Euribor and clarifying that the CIOC is competent to assess conflicts of interest affecting: EMMI as an association, all EMMI benchmarks, and STEP. The revised Policy and Procedure was subsequently reviewed and approved by the Steering Committee, the Board of Directors and the General Assembly and entered into force on 4 April 2017.

The revised Conflict of Interest Policy and Procedure contributes to enhance the effectiveness of the practices in place to prevent, identify and manage conflicts of interest by providing clear operational guidelines to the relevant persons within EMMI<sup>2</sup>.

The CIOC reviews the implementation and effectiveness of the Policy and Procedure at each meeting. The next annual review of the Policy will take place in October 2018.

##### *3.1.2 Declarations of interests*

The CIOC reviewed and discussed all the signed declarations of interests received for the year 2017 from all Relevant Persons (see section 3.3.1 below for further details).

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<sup>2</sup> According to the Conflict of Interest Policy and Procedure, Relevant persons include members of the EMMI General Assembly (Banking Associations), members of the Board of Directors, members of the Audit Committee, the Secretary General, members of the Secretariat, members of the Euribor Steering Committee and members of the STEP Market Committee.

In its continuous effort to further increase the clarity and transparency in declarations of interest, the CIOC also agreed to include the following sections in the declarations of interests from 2018 onwards:

- For the Steering Committee: *“I have confirmation by the company/organisation with which I am affiliated that it will not instruct me with respect to my function as member of the Steering Committee.”*
- For all Relevant Persons: *“I hereby commit to step out of each meeting every time there is a risk of conflict between my own interests, or of those I am affiliated with, and EMMI’s interest.”*

The CIOC also recommended that declarations of interests are collected on an annual basis at the occasion of the first meeting of the relevant governing bodies.

### 3.2 Monitoring potential situations of conflict of interest

In 2017, the mapping of conflicts of interest carried out during the previous year was implemented and closely monitored.

### 3.3 Identifying relevant conflicts

For the purpose of identifying actual or perceived conflicts of interest, the CIOC analysed the following documents:

#### 3.3.1 Communication made by relevant persons

According to the Conflict of Interest Policy and Procedure, the CIOC expects that relevant persons communicate their interests through an annual declaration. One single exception applies to the Members of the General Assembly. In fact, since the Members are sitting in the Assembly as representatives of the national banking associations, the respective association is also responsible for ensuring that conflicts of interest are managed by its representatives in General Assembly meetings.

In order to increase individual awareness and responsibility in managing potential conflicts within the General Assembly, the CIOC recommended to ask the national banking associations to appoint one delegate (and one alternate) as permanent participant in the meetings of the EMMI General Assembly. This recommendation was implemented in 2017.

For the year 2017, the CIOC analysed the following (new/updated) declarations:

- Declarations of interests of the Members of the Board of Directors;
- Declarations of interests of the Members of the Steering Committee;
- Declarations of interests of the Members of the EMMI Secretariat;
- Declarations of adherence of the Members of the STEP Market Committee.

The declarations were examined taking into consideration the biographies of each of the signatories and their respective roles and responsibilities. The CIOC concluded that the interests disclosed in the declarations did not show any emerging actual or potential conflict.

In order to further increase the level of awareness and the quality of the disclosure in declarations of interests, the CIOC agreed to provide training sessions to the Relevant Persons. The training sessions are carried out by the Chairman of the CIOC.

### 3.3.2 Representations or complaints made from external parties to EMMI

In 2017, EMMI did not receive any representation or complaint on conflict of interest related matters from external parties.

### 3.3.3 Other internal EMMI documents and information

The CIOC analysed a report from the Secretariat on the following internal documents:

- Agenda and Minutes of General Assembly meetings;
- Agenda and Minutes of Board of Directors meetings;
- Agenda and Minutes of Steering Committee meetings.

The CIOC also based its analysis on the internal auditor's extensive review of the minutes of each committee.

After analysis, the CIOC concluded that during the meetings under review, the issue of potential conflicts of interest is regularly discussed and treated with appropriate attention. The preventive measures and the controls against conflicts of interest at the level of EMMI's governing bodies were effective during the period under review. The occurrence of conflicting interests was low and each of them was addressed and managed properly. .

## **3.4 Managing/resolving actual or perceived conflicts of interest**

In the year 2017, no perceived or actual conflict of interest situation was identified by the CIOC. The CIOC also reviewed and monitored the implementation of recommendations escalated in 2016 in order to address perceived and/or actual conflicts of interest. All EMMI governing bodies complied with the recommendations of the CIOC.

Finally, the CIOC did not receive any communication or request for advice on actual or perceived conflict of interest situations from EMMI Relevant persons or from third parties in 2017.