Draft Euribor Royal Decree
Anticipation of the Benchmark Regulation

Reminder: Benchmarks Regulation ("BMR")
BMR - timing

- Publication: June 2016 (d)
- Entry into force: day after date of publication (d+1) + entry into application of some articles of the BMR (e.g. provision on the establishment of a college for critical BM’s, provision on mandatory contributions)
- Entry into application: Entry into force + 18 months (d+1)
- Application for an authorization (d+1) + 42 months

Euribor College

- Establishment of College for critical BM’s
  - 30 working days after inclusion of BM in list of critical BMs (date?)
  - It supposes that each Member state has designated the national competent authority responsible for carrying out the duties under the BMR
  - Concretely, the Euribor college will be installed with the national competent authorities already designated on that moment
  - Written arrangements: cooperation with ESMA and the FCA in order to have similar rules for Euribor and Libor
Mandatory contribution provision

- Entry into application on the date of the entry into force of the BMR (d+1)
- Concretely, this provision can only be enforced from the date of the establishment of the Euribor College
- « Last resort mechanism » that will be used under the strict conditions of the BMR
- Persuasion tool

Level II measures

- Benchmark Task Force created by ESMA: participation of the FSMA
- ESMA must draft Regulatory Technical Standards (RTS) on some BMR provisions (e.g. oversight committee, input data, methodology, code of conduct, benchmark statement)
- Submission of the RTS to the European Commission by 9 months after the entry into force of the BMR \(((d+1) + 9 \text{ months} = \text{February/March 2017})\)
**Benchmark regulation timeline**

*From a practical point of view, the provision on mandatory contribution can only be enforced from the date of the establishment of the Euribor College.*

**Ideally, the Commission would publish this list at the moment of the publication of the BMR.**

***It supposes that each Member State has designated the competent authority responsible for carrying out the duties under the BMR. The college will be installed with the competent authorities already designated on that moment.***

****or index providers providing a benchmark on the date of the entry into force of the BMR.

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**Draft Euribor Royal Decree**

(the “Royal Decree”)

To facilitate the transition to the Euribor + methodology
Royal Decree: timing

- Application for an authorization within 30 working days of the entry into force

→ Anticipation of BMR because the application for an authorization under BMR must take place by 42 months after the entry into force of the BMR ((d+1) + 42 months = by November/December 2019)

Draft Euribor Royal Decree: timing

- Automatic revocation the day preceding the entry into application of the BMR ((d+1) +18 months) -1
- But authorization remains valid until the granting or the rejection of an authorization under the BMR

→ EMMI will have to re-apply for an authorization
Draft Euribor Royal Decree: provisions

- Broadly similar to the BMR
- Scope: limited to EMMI and Euribor
- Obligation of authorisation for EMMI
- Supervision of EMMI only
  → No supervision of panel banks
    (no extra-territorial effect of the Royal Decree)

Draft Euribor Royal Decree: provisions

- **Authorization conditions = BMR:**
  - Governance & conflicts of interest
  - Oversight function
  - Control framework requirements
  - Accountability framework
  - Outsourcing provisions
Draft Euribor Royal Decree: provisions

- Authorization conditions ≠ BMR:
  - Fit and proper character of the management body and the oversight committee
  - General obligations on input data and BM methodology
  - Taking into account the fact that after the transition to Euribor + the BMR provisions on input data and methodology will be complied with
  - Code of conduct: must be established by EMMI

- Absence of provision on mandatory contributions but:
  - Meetings between the FSMA and a sample of panel banks in order to identify their concerns

Questions?