

# Oversight Committee Terms of Reference

March 2023

# Contents

1	STIBOR Oversight Committee Terms of Reference .....	3
2	STIBOR Oversight Committee Overview.....	3
3	Oversight function responsibilities .....	3
4	Appointment of members to the Oversight Committee .....	5
5	Oversight Committee Membership.....	5
6	Removal of members to the Oversight Committee.....	6
7	Oversight Committee Meetings and Decisions.....	6
8	Managing Conflicts of Interest within the Oversight Committee.....	7
9	Self-assessment.....	8
10	Administrative details.....	8
	Appendix 1: Examining potential conflicts of interest.....	9

Copyright © 2023 by Swedish Financial Benchmark Facility (SFBF) all rights reserved. This document or any portion thereof may not be reproduced or used in any manner whatsoever without the express written permission of the SFBF.

# 1 STIBOR Oversight Committee Terms of Reference

Approved by the STIBOR Oversight Committee 20.03.2023. Approved and adopted by the SFBF Board 29.03.2023. Apply from 29.03.2023.

## 2 STIBOR Oversight Committee Overview

The Swedish Financial Benchmark Facility (SFBF) is the Benchmark Administrator of the Benchmark STIBOR (the administrator). The Benchmark Oversight Committee (the OC) is an independent committee established by the SFBF Board of Directors (the Board) that has the primary governance oversight of the methodology, determination, and dissemination of STIBOR. The OC assess and challenges the decisions of the Board with respect to the provision of STIBOR to ensure the requirements of regulation, including the EU 2016/1011 Benchmark Regulation (BMR). The OC's purpose is to support the integrity, accuracy, and reliability of STIBOR to the benefit of all users of STIBOR and reliant market participants.

Independence of the OC is achieved by ensuring appropriate composition and suitability of members, appointment and revocation, rules, and procedures for managing confidentiality and conflicts of interest.

The OC shall be comprised of primarily relevant independent experts and representatives from STIBOR Panel Banks. Individuals from supervised entities that use STIBOR could be considered as members if deemed an appropriate complement to improve the balance of the OCs composition.

In order for the OC to properly perform its function, a Secretariat function to support the OC is provided by the administrator and shall be available to support the Committee in its work and during its meetings. Independent committees cannot be completely separated from the organisation of the administrator as the final decisions with regards to the business of the administrator lie with the management body, and a separate committee could take decisions without fully appreciating the potentially detrimental impact of such decisions on the business of the administrator. The OC is thereby embedded within the organisation of the administration and is therefore able to best fulfill its oversight duties.

The OC is granted access to all SFBF documentation necessary to carry out its duties.

## 3 Oversight function responsibilities

The oversight function shall operate with integrity and shall have the following responsibilities, which shall be adjusted by the administrator based on the complexity, use and vulnerability of the benchmark:

With respect to STIBOR determination:

- Reviewing STIBOR's definition and methodology at least annually. In conducting reviews, the OC will consider the underlying market dynamics and the usage of STIBOR.
- Oversight of the STIBOR Panel Bank Code of Conduct including overseeing the practice standards as detailed within it and reviewing these regularly.

- Adopting, reviewing, and where required updating the relevant governance artefacts which ensure that STIBOR is determined and published in accordance with Article 15 of the BMR, and all applicable regulatory standards.
- Monitoring the input data and contributors (Panel Banks) and the actions of the SFBF as the administrator of STIBOR in challenging or validating contributions of input data.
- Taking effective measures in respect of any breaches of the STIBOR Panel Bank Code of Conduct.
- Reporting to the Swedish FSA, Finansinspektionen (FI), any misconduct by Panel Banks or the SFBF of which the OC becomes aware, and any anomalous or suspicious input data.
- Overseeing any changes to the STIBOR methodology and being able to request SFBF to consult on such changes.
- Reviewing and approving procedures for cessation of STIBOR or of any individual tenor for STIBOR, including any consultation about a cessation.
- Overseeing any third party involved in the provision of STIBOR, including calculation or dissemination agents.

With respect to STIBOR Panel Banks:

- Undertaking regular reviews of the composition of the STIBOR panel of banks.
- Defining rules and procedures to join, remain or leave the STIBOR panel of banks.
- The OC may require an external audit of a STIBOR Panel Bank if dissatisfied with any aspects of its conduct.

With respect to the SFBF:

- Assessing and, where appropriate, challenging the decisions of the management body of SFBF with regard to the provision of STIBOR to ensure the fulfilment of the requirements of the BMR and addressing all recommendations on benchmark oversight to that management body.
- Considering existing or potential conflicts of interest.
- Taking measures to remain informed about material issues and risks relating to the determination of STIBOR.
- Assessing internal and external audits or reviews and monitoring the implementation of identified remedial actions.
- Keeping the SFBF Oversight Committee Terms of Reference and the SFBF Oversight Committee Rules and Procedures under regular review.

## 4 Appointment of members to the Oversight Committee

The Managing Director and the OC identify suitable individuals for membership consideration and the OC determines the membership of the OC with the final approval of the Board. Appointments to the OC will be for an initial period of one year. Renewal of the appointment will be made in consideration of the performance of the OC and confirmed by the OC Chairperson on an annual basis.

The Board will nominate a candidate to act as the OC's Chairperson and the OC itself will ratify the nomination. If the OC does not wish to ratify the Board nominated candidate, the Board will nominate an alternative candidate for the OC's ratification. This process will continue until the Chairperson position has been confirmed by the OC.

Members who are representatives of Panel Banks are appointed on a rotating schedule between the Panel Banks.

The OC shall be composed of members that together have the skills and expertise appropriate to oversee the provision of STIBOR and to carry out the oversight function responsibilities. The minimum amount of members of the OC shall be three members, with a majority of independent members.

The selection criteria for membership of the OC are as follows:

- Independent members who are natural persons and are not directly affiliated with the SFBF other than through their involvement in the OC, and do not have a vested interest in the level of STIBOR. With a vested interest in the level of STIBOR the Company considers any interest in STIBOR a person may have as long as it is not only general indirect interests any common person has as a result of their own personal savings and pensions. An independent member may have conflicts that are not related to STIBOR for example if they have other board appointments. Such conflicts do not affect the assessment of the member as being an independent member. Independent members must have a good understanding of the BMR and the underlying markets that STIBOR provides a representative measure of. Independent members are appointed on a personal basis and should not be subject to instructions from a company or organisation to which they belong.
- STIBOR Panel Banks appointed representatives not directly involved in the provision of STIBOR.
- Representatives from supervised entities that use STIBOR who should have a demonstrable understanding of how their organisation, and others, use STIBOR.

## 5 Oversight Committee Membership

In order to maintain its independence, the Board will ensure that the number of independent members of the OC will make up a simple majority. The minimum number of members are three members but are preferably no less than five to minimise the risk of the threshold being breached. Should a member resign from their appointment or no longer be able to perform their tasks as a member of the OC and should such resignation or removal of a member result in the OC no longer meeting the minimum requirement

of three members the OC shall immediately inform the Board that the OC no longer meets minimum requirements on number of members ,and the process to appoint a new member shall be initiated promptly. The OC shall ensure the committee is suitably constituted at all times.

Members shall not include persons who have been convicted of financial services related offences, in particular manipulation or attempted manipulation. Declarations should be collected on an annual basis from all OC members as evidence of no convictions of financial services related offences.

Details of the OC membership will be made public on the SFBF website as will any declarations of any conflict of interest along with the processes for election and nomination of OC members.

The Chairperson may invite one or more persons as guests or observers who can provide specific expertise and technical input for certain agenda items in meetings. Participation of guests in OC meetings shall only be made in exceptional cases. Observers must have signed a non-disclosure agreement prior to attending and confirmed in writing any potential conflicts of interest they might have through their attendance. Observers will be asked to leave meetings when issues are being discussed where there is a potential conflict of interest.

## 6 Removal of members to the Oversight Committee

The Board may remove a person as a member of the OC under the following circumstances:

- The Board or the OC is asked by the Swedish FSA to remove the person.
- The member was appointed to the Oversight Committee as a representative of an organisation by which they are no longer employed or was appointed as an independent member but is no longer deemed independent, and the Board considers their involvement no longer being in the best interests of the Oversight Committee.
- The person has become physically or mentally incapable of acting as an OC member.
- The person has served notice of his or her intention to retire from the OC.
- The person is repeatedly absent from the OC.
- Gross misconduct.

A person, as a member of the OC, wishing to resign from the OC is required to communicate their intention to resign by providing six-month notice in writing to the Chairperson of the OC. The Chairperson, may at their discretion, accept a lesser notice period if requested by the resigning member where, in the Chairperson's opinion, a lesser notice period will have no negative impact upon the OC's ability to fulfil its mandate.

## 7 Oversight Committee Meetings and Decisions

The OC meets as needed and no less than once every four months. Meeting dates should be scheduled 12 months in advance for regular meetings.

A meeting of the OC will be called whenever one of the OC members so requests. The Chairperson can convene a meeting of the OC with a minimum of 48 hours-notice in exceptional circumstances.

Individual matters may be dealt with in writing, provided that all the members consent.

Meeting agenda and supporting documents should be distributed to the OC members one week prior to OC meetings, other than for meetings convened at short notice when agenda and supporting documents should be distributed at a minimum the day prior to the meeting.

The OC constitutes a quorum when more than half of the members are present either physical or virtual and the independent members are in simple majority. If a member is unable to attend a meeting, the member may provide a proxy vote on agenda items to the Chairperson. OC members unable to attend meetings may not be represented at the meeting by an alternative representative.

Each member has one vote. OC decisions are made through simple majority vote. In case of a tie the Chairperson has a casting vote.

The OC's decisions shall record any objections raised against the majority's conclusions. In case of dissent, the minutes shall indicate which members voted for and against each decision.

The OC shall keep minutes of each meeting. Summarised versions of the OC minutes, including OC decisions, shall be made publicly available by publication on the SFBF's website.

## 8 Managing Conflicts of Interest within the Oversight Committee

On an annual basis each member of the OC must submit and sign a Declaration of Interest whereby members shall declare any relevant interests they may have. Declarations of Interest will be made publicly available on the SFBF website. When assessing whether a member has conflicts of interests or not, the Company uses the criteria listed in Appendix 1 attached hereto.

Conflicts of interest which may arise within the OC due to competing interests shall be managed using, where appropriate, the following non-exhaustive list of procedures:

- OC members should have their voting rights suspended for decisions that would have a direct business impact on the organisations they represent.
- OC members are required to disclose conflicts ahead of the discussion of each agenda item during meetings of the OC.
- OC members should excuse themselves from specific discussions of agenda items which would cause them to become conflicted, either prior to the agenda item being discussed or during discussion should a conflict arise at that time. As an example, STIBOR contributors should be excused from discussions relating to breaches of the STIBOR Panel Bank Code of Conduct. Details of any exclusion are to be recorded in the minutes of any relevant meeting and redact such minutes prior to publication.

OC members that are excused from discussion to avoid conflicts will have their voting rights removed for decisions relating to the specific agenda item as decided by the OC Chairperson. Should the OC Chairperson be the conflicted part the OC Chairperson shall be excused from the discussion and a deputy Chairperson be appointed among the OC members to act as a temporary OC Chairperson for the discussion. The deputy Chairperson will in such circumstances hold the casting vote of the Chair.

Where it is not possible to manage the conflicts of interest through the procedures listed above or by other means, the SFBF will revise the structure of the OC and where appropriate, replace the conflicted members.

## 9 Self-assessment

The OC shall perform an annual self-assessment of its performance, constitution, and Terms of Reference. It shall evaluate if it is operating at maximum effectiveness and recommend for approval by the Board any changes it deems necessary or that may be required by laws and regulations.

Reviews can be performed in by means of self-assessment questionnaires set by SFBFs Head of Risk and Compliance and/or an independent reputable third-party appointed by the Board. The result of those assessments shall be discussed during a dedicated agenda point at an OC meeting. Minutes will be drawn up of the conclusions of this assessment, as well as any proposed measures which can be taken to improve the functioning of the OC.

## 10 Administrative details

This document will be publicly available on the SFBF website.



## Appendix 1: Examining potential conflicts of interest.

An assessment of independence shall be conducted on a case-by-case basis, taking into account all information at hand and all circumstances that may be relevant to such assessment. In this regard there are a number of factors that are and should be considered within the scope of the assessment, including the following:

- Current role in a panel bank: If the potential member is currently employed in a panel bank, he/she/they are automatically deemed non-independent.
- Current affiliation with panel bank: If the potential member e.g., has acted in the capacity of consultant, advisor or service provider to a panel bank, the nature of such affiliation needs to be analysed in detail, in order to avoid any potential conflicts of interest in relation to STIBOR. For example, consulting for a panel bank on site may give rise to risks of conflicts of interests in relation to STIBOR, however, providing monthly market insights to a panel bank as an external information provider may not give rise to any such risks. Each situation must be assessed on its own merits.
- Personal relations with a member at a panel bank: these situations will typically not give rise to conflicts, but a significant relationship with a member of staff that holds a high position at a panel bank may give rise to a potential conflict of interest and should be assessed as such.
- Previous role in a panel bank: If the potential member has previously been employed by a panel bank, the Company considers what role the potential member had, how long he/she was employed and how long ago he/she left the position. This assessment needs to be conducted on a case-by-case basis, but in general it can be said that the higher the position that the potential member had in the bank and the longer he/she was employed, the more likely it is that an actual or potential conflict of interest can occur, due to lingering loyalty and personal or professional relationships that grow within the context of an employment over time.
- Employer instructions related to the function of member in the committee: if the potential member will receive instructions from the employer related to the function as a member, the member will automatically be disqualified from joining the committee.

In addition to the above, the Company's Conflicts of Interest Policy may be used as reference material to support the general conflict of interest assessment.