Financial Benchmarks India Pvt. Ltd.

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Conflicts of Interest Policy

Version Number	Date Modified
Version 1	October 19, 2016
Version 2	November 22, 2017
Version 3	August 28, 2018

CONFLICTS OF INTEREST POLICY

August 28, 2018

Version 3

Introduction

IOSCO's Principles for Financial Benchmarks and RBI's Report of the Committee on Financial Benchmarks enjoins the Benchmark Administrators "to document and implement policies and procedures for the identification, disclosure, management, mitigation or avoidance of existing and potential Conflicts of interest that may exist between the benchmark determination process and any other business of the Administrator or any of its affiliates." (See Appendix A).

1.2 **Definition of Conflict of Interest**: An actual conflict of interest refers to a situation where the impartiality and objectivity of a decision, opinion or recommendation of a body or a person is compromised by a personal interest held by or entrusted to a given individual.

A perceived conflict of interest refer to a situation where the impartiality and objectivity of a decision, opinion or recommendation of a body or a person might be perceived as being compromised by a personal interest held by or entrusted to a given individual even if in fact there is no such undue influence.**

1.3 As the administrator of India's Interest Rates, Foreign Exchange and related derivatives markets' major financial benchmarks, the Financial Benchmarks India Pvt. Ltd. (FBIL) has developed its Conflicts of Interest Policy to provide guidance to parties

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*** Source: Adapted from EONIA Governance framework of European Money Markets Institute.*

involved in the benchmark-setting process (including the FBIL as administrator) for identifying, avoiding, managing, and disclosing Conflicts of interest that may arise in the determination, calculation, publication and distribution of financial benchmarks. Other parties who consider that a Conflicts of interest may arise are encouraged to draw reference to the guidance and develop suitable corrective and mitigating arrangements.

2. Objective

2.1 A number of parties are involved in the benchmark-setting process, such as

(i) Submitter/Contributing Entities;

(ii) Calculating Agent; and

(iii) Administrator (i.e., FBIL).

2.2 In their participation in the benchmark-setting process, the parties, as above, should comply with all the prevailing laws, rules and/or regulations. In particular, contributors are expected to comply with the following documents, as amended from time to time:

(i) FBIL's "Unified Code of Conduct for Benchmark Contributing Entities/ Submitters".

(ii) RBI's directives/instructions on benchmarks, if any.

(iii) IOSCO's Principles for Financial Benchmarks.

3. Identifying Conflicts of Interest

3.1 Conflicts of interest may arise throughout the benchmark-setting process. Conflicts of interest may arise within an entity and/or those that relate to other parties.

Parties involved should have in place appropriate measures to identify Conflicts of interest.

3.2 In putting in place such policies, parties should seek to –

(i) identify all types of Conflicts of interest, considering the range of activities that they perform as well as their relationships with others;
(ii) establish appropriate level of controls so as to ensure the effectiveness of the policy in detecting potentially new Conflicts of interest, when and if they arise; and
(iii) regularly review and update the policy as appropriate.

3.3 It is important that actual and potential Conflicts of interest in FBIL are identified and managed. Anyone who identifies a new Conflicts of interest must immediately report it to the Vice President/CEO. The report will put up to the Board through the Oversight Committee.

3.4 FBIL will conduct reviews on periodic basis to ensure that we identify all actual and potential Conflicts of interest on an ongoing basis and keep this Policy up to date.

4. Disclosure of Conflicts of Interest:

Any member of the Board or any of the Committees or employees of the company must declare in writing any Conflicts of interest that he/she may face to the Chairman of the Committee /Board and also comply with the Company's Policy on Conflicts of Interest from time to time.

5. Avoiding and Managing Conflicts of Interest

Each Conflict of interest identified must be managed and monitored. The following types of procedures and measures are considered appropriate when managing / mitigating Conflicts of interest:

- **Control of Exchange of Information**: For preventing/controlling the exchange of information between opposing sides of a Conflicts of interest, the Administrator shall put in place an effective control system of the exchange of information between the employees engaged in activities involving a risk of Conflicts of interest or between employees and third parties, where that information may reasonably affect the determination of benchmarks. This risk will be mitigated by way of implementing a model code of conduct to be followed by the employees concerned.
- **Removal of remuneration links**: Adequate remuneration policies that ensure all staff who participate in the Benchmark determination are not directly or indirectly rewarded or incentivised by the levels of the Benchmark.
- **Segregation of duties**: There should be proper segregation of work and reporting lines within the Administrator to clearly define responsibilities.
- **Disclosure**: Where the measures implemented to manage Conflicts described above are insufficient to ensure, with reasonable confidence, that material risk of damage will be prevented, then the nature of the Conflicts of interest arising must be disclosed as appropriate.

6. Monitoring and reporting

FBIL's senior management will engage fully with the Conflicts of interest identification and management process and take responsibility for the active ownership of Conflicts of interest policy and report such disclosures to the OC/Board. Appropriate actions will be taken against the entities concerned in the event of any failure to maintain the required Conflicts of interest policy.

Regular reviews of Conflicts situations will be undertaken to maintain effective and appropriate management.

7. Record keeping

7.1 The Conflicts Register and Logs are maintained by FBIL:

Conflicts Logs are used to record:

(i) Conflicts and potential Conflict situations
(ii) The appropriate mitigation strategy in each case
(iii) Ownership of the ongoing management of the Conflicts, and
(iv) Where appropriate, an assessment of how effective the mitigation strategy proves.

7.2 FBIL retains:

(i) All versions of this Policy
(ii) Management information provided in relation to the Conflicts procedures, including any breaches of the Policy and subsequent remedial action, and
(iii) All versions of the Conflicts Log.

7.3 All other records mentioned above will be preserved for a minimum of 8 (eight) years.

8. Update and publication

The Oversight Committee of FBIL shall review and update this policy annually. Any changes will be made available promptly to stakeholders, including the RBI. The updated policy will also be accessible on the FBIL website.

APPENDIX A

Extracts from IOSCO's Principles for Financial Benchmarks dated July 2013
Principle 3. Conflicts of Interest for Administrators:

To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of Conflicts of interest. Administrators should review and update their policies and procedures as appropriate.

Administrators should disclose any material Conflicts of interest to their users and any relevant Regulatory Authority, if any.

The framework should be appropriately tailored to the level of existing or potential Conflicts of interest identified and the risks that the Benchmark poses and should seek to ensure:

a) Existing or potential Conflicts of interest do not inappropriately influence Benchmark determinations;

b) Personal interests and connections or business connections do not compromise the Administrator's performance of its functions;

c) Segregation of reporting lines within the Administrator, where appropriate, to clearly define responsibilities and prevent unnecessary or undisclosed Conflicts of interest or the perception of such Conflicts;

d) Adequate supervision and sign-off by authorised or qualified employees prior to releasing Benchmark determinations;

e) The confidentiality of data, information and other inputs submitted to, received by or produced by the Administrator, subject to the disclosure obligations of the Administrator;

f) Effective procedures to control the exchange of information between staff engaged in activities involving a risk of Conflicts of interest or between staff and third parties, where that information may reasonably affect any Benchmark determinations; and

g) Adequate remuneration policies that ensure all staff who participate in the Benchmark determination are not directly or indirectly rewarded or incentivised by the levels of the Benchmark.

An Administrator's Conflicts of interest framework should seek to mitigate existing or potential Conflicts created by its ownership structure or control, or due to other interests the Administrator's staff or wider group may have in relation to Benchmark determinations. To this end, the framework should:

a) Include measures to avoid, mitigate or disclose Conflicts of interest that may exist between its Benchmark determination business (including all staff who perform or otherwise participate in Benchmark production responsibilities), and any other business of the Administrator or any of its affiliates; and

b) Provide that an Administrator discloses Conflicts of interest arising from the ownership structure or the control of the Administrator to its Stakeholders and any relevant Regulatory Authority in a timely manner.

Extracts from RBI's Report of the Committee on Financial Benchmarks:

5.10. Recommendations on Governance Framework for Benchmark Administrators

(i) The Administrator may document and implement policies and procedures for the identification, disclosure, management, mitigation or avoidance of existing and potential **Conflicts of interest**. It may include the Conflicts of interest that may exist between the benchmark determination process and any other business of the Administrator or any of its affiliates. The policies and procedure may be periodically reviewed and updated.

(ii) There should be proper segregation of reporting lines within the Administrator to clearly define responsibilities and prevent any **Conflicts of interest** or perception of such Conflicts of interest.

(iii) The Administrator may put in place an effective system to control the exchange of information between the employees engaged in activities involving a risk of **Conflicts of interest** or between employees and third parties, where that information may reasonably affect the determination of benchmarks.

(iv) The Administrator may implement an appropriate control framework to address the existing and potential **Conflicts of interest** in the benchmark determination and to maintain the integrity and quality of benchmark determination. The control framework may be periodically reviewed and updated.

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Brief Summary of Changes in the Conflicts of Interest Policy

Sr. No.	Existing	Revision made
1.	**8. Update and publication** The Oversight Committee of FBIL shall review and update this policy from time to time. Any changes will be made available promptly to stakeholders, including the RBI. The updated policy will also be accessible on the FBIL website.	**8. Update and publication** The Oversight Committee of FBIL shall review and update this policy **annually**. Any changes will be made available promptly to stakeholders, including the RBI. The updated policy will also be accessible on the FBIL website.