

Financial Benchmark Administrators (Reserve Bank) Directions, 2019

Reserve Bank introduced a regulatory framework for financial benchmarks, vide its notification dated 26th June 2019, to improve the governance of the benchmark processes in markets regulated by it. The key features of this direction are:

1. Extent and applicability:

- i. These directions shall apply to Financial Benchmark Administrators (FBAs) administering 'Significant Benchmarks' in the markets for financial instruments regulated by the Reserve Bank under Section 45 W of the Act.
- ii. Benchmarks administered outside India do not fall under the scope of these directions.

2. Definitions:

- i. **'Administration'** refers to all stages and processes involved in the production and dissemination of a benchmark.
- ii. **'Benchmarks'** mean prices, rates, indices, values or a combination thereof related to financial instruments that are calculated periodically and used as a reference for pricing or valuation of financial instruments or any other financial contract.
- iii. **'Calculating Agent'** means a person who calculates a benchmark in accordance with the methodology set out by the financial benchmark administrator.
- iv. **'Financial Benchmark Administrator'** (FBA) means a person who controls the creation, operation and administration of significant benchmark(s).
- v. **'Financial instruments'** mean instruments referred to or specified under section 45W of the RBI Act.
- vi. **'Methodology'**, for the purpose of benchmarks includes the written rules and procedures according to which information is collected and the benchmark is determined.
- vii. **'Significant benchmark'** means any benchmark notified by the Reserve Bank as a 'significant benchmark' under these Directions.
- viii. **'Submitter'** means any natural or legal person contributing input data for determination of a benchmark.

3. Eligibility criteria for FBAs:

- i. FBA shall be a company incorporated in India.
- ii. FBAs shall maintain a minimum net worth of ₹1 crore at all times.

Role of Oversight Committee

FBAs need to develop an appropriate oversight function for regularly reviewing various aspects of the significant benchmark determination process. The oversight function will be carried out by a committee, to be called 'Oversight Committee', specifically set up for carrying out the function.

FBAs will have a policy to ensure that the Oversight Committee has fair representation of major stakeholders. No person can be a member of the Oversight Committee for more than five years, irrespective of the number of terms. They should also address the conflict of interest that may exist between the significant benchmark determination process and any other business of the Administrator or its affiliates.

For more details, please click on the link <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11601&Mode=0>