

COMMITTEE ROLE, PROCEDURES AND TERMS OF REFERENCE

1. Introduction

The ICE Swap Rate Oversight Committee was established to oversee the administration of ICE Swap Rate®.

With the introduction of ICE Term Reference Rates (ICE TRR) based on SONIA and SOFR, the committee's role was expanded and now covers the following responsibilities, to:

- Assess, and where appropriate challenge, the decisions of IBA with regards to the provision of ICE Swap Rate and ICE Term Reference Rates for SONIA and SOFR (the Benchmarks);
- Address to the IBA Board all recommendations of the committee on oversight of the Benchmarks; and
- Record in its meeting minutes if the committee becomes aware that the IBA Board has acted or intends to act contrary to any recommendations resulting from a decision of the committee.

2. Background

ICE Swap Rate (ISR) is recognised as the principal global benchmark for swap rates and spreads for interest rate swaps. It represents the mid-price for interest rate swaps (the fixed leg) in three major currencies (EUR, GBP and USD) and in tenors ranging from 1 year to 30 years. Currently, IBA publishes ICE Swap Rate benchmarks: (i) based on swaps linked to EUR EURIBOR, EUR €STR, GBP SONIA and USD SOFR; and (ii) based on swap spreads linked to USD SOFR.

IBA became the administrator of ISR in August 2014 and transitioned the rate in March 2015 from a polled rate to one based on tradable quotes sourced from regulated, electronic trading venues. Movement interpolation was introduced into the ISR methodology in November 2017 and a [Waterfall Methodology](#) was adopted in May 2020.

ICE TRR are designed to measure average expected (i.e. forward-looking) rates over specified tenor periods for certain Risk Free Rates (RFRs). Each ICE TRR setting is calculated using eligible prices and volumes for specified interest rate derivative products linked to the relevant RFR, provided by regulated, electronic trading venues in accordance with a [Waterfall Methodology](#).

3. Regulatory requirements

UK

IBA is authorised and regulated by the UK's Financial Conduct Authority (FCA).

The general requirements in Title II of the UK Benchmarks Regulation (BMR) apply to the Benchmarks.

In addition to the main UK BMR text, associated binding Technical Standards (TS) contain detailed rules for implementing the BMR regulatory framework. The technical standards for the

oversight requirements are referred to in Article 5 of the UK BMR. This Article is part of the general requirements in Title II of the UK BMR and therefore apply to the Benchmarks.

In addition, ICE Swap Rate is a Critical benchmark pursuant to UK BMR Article 3 (1) (25) and, as such, an enhanced regulatory regime is applicable.

EU

IBA is recognised under the EU Benchmarks Regulation (EU BMR) as a third country administrator in relation to the use of ICE Swap Rates by supervised entities located in the EU.

4. Membership and attendance

4.1 Committee composition

Article 32(3) of the EU BMR requires IBA, by virtue of its recognition by ESMA as a third country administrator, to have a legal representative located in the EU to act on its behalf with regard to IBA's obligations under the EU BMR and to perform the oversight function with IBA relating to ICE Swap Rate.

ICE Endex Markets B.V. (Endex) is IBA's legal representative for these purposes. Endex has appointed individuals to attend each Oversight Committee meeting.

The composition of the committee, other than the Endex appointees, is set by IBA's Board on the recommendation of IBA's Nominating and Corporate Governance Committee (N&CGC) and includes a balanced representation of stakeholders including representation from the following stakeholder groups:

- supervised entities that use the benchmark;
- market infrastructure operators;
- input data sources;
- independent members; and
- in a non-voting capacity, IBA staff who are not directly involved in the provision of the benchmark or any related activities.

The N&CGC uses the criteria published on IBA's website¹ to select committee members, including evaluation of potential committee members' expertise and skills. The N&CGC also considers whether candidates can meet the time commitments required, taking into account any role they have in other oversight function(s).

On the recommendation of the N&CGC, the IBA Board appoints a chair of the committee and may from time to time appoint an alternate or deputy chair of the committee.

The oversight requirements in Article 5 of the BMR apply to the Benchmarks together with the associated binding technical standards (TS).

The composition of the committee does not include any IBA Board members. However, in line with EU BMR RTS 2018 1637 Article 1 (6), Board members may be invited to attend meetings by the oversight function in a non-voting capacity.

¹ See https://www.theice.com/publicdocs/IBA_Selection_of_Committee_Members.pdf

There are currently no Observers on the committee but there is no reason in principle why one or more appropriate Observers may not be appointed to the committee in the future.

The right is reserved to the N&CGC to remove a committee member at its discretion where that committee deems such action to be in the overall interests of the functioning of the committee.

The names of committee members are available on [IBA's website](#).

4.2 *Terms of office of committee members*

The N&CGC decides the terms of office of committee members, taking into account the need to ensure appropriate continuity in membership over time. Generally, a committee member can serve for a maximum of nine consecutive years unless the IBA Board specifically approves an extended period of service for a committee member.

A committee member who does not attend three consecutive scheduled full meetings of the committee may be asked by IBA to resign from the committee. Any such decision shall be taken by the N&CGC.

4.3 *Alternates*

An alternate may attend occasional meetings on behalf a committee member, subject to prior agreement of the chair before each such meeting. Committee members should not delegate routine attendance to an alternate.

4.4 *Sub-committees*

The committee may appoint sub-committees with such powers as the committee may from time to time confer within the scope of the committee's Terms of Reference.

The chair or committee shall determine the terms of reference of any sub-committee.

5. **Confidentiality**

The letters of appointment for members of the committee require adherence to strict confidentiality provisions.

Committee members are required to keep all materials provided to, discussions of and decisions of the committee confidential and shall not share them with any third party, including their employer or client, unless agreed in writing by the chair or IBA.

6. **Conflicts of interest**

In signing their Letters of Appointment, committee members confirm that they will:

- promptly declare to the committee chair or an IBA director any other appointments or arrangements that conflict or may conflict with being a committee member; and
- comply with IBA's policy on conflicts of interest.

Committee members must declare any private or professional interests that may result in a potential or actual conflict as soon as the conflict or potential conflict arises.

At the start of each committee meeting, the chair will ask those present (in person or by call) to declare any conflict arising from the agenda. In the event of a conflict of interest during a

committee meeting, the committee member must declare the conflict immediately and excuse themselves from participating in the discussion of or decision making relating to such item(s). The committee member should confirm the conflict in writing to the chair as soon as possible after the meeting.

Where the chair believes that a committee member has a conflict that cannot be managed or adequately mitigated, the chair may ask a committee member to recuse him/herself from the meeting and, if the conflict is likely to persist, the chair will refer this to the N&CGC to consider whether the committee member should resign.

Committee members' declaration of conflicts of interest are published on [IBA's website](#).

7. Meeting protocols

7.1 Terms of Reference

The authority of the committee is set out in the Terms of Reference herein. IBA and Endex jointly approve the committee Terms of Reference.

7.2 Meeting frequency

The committee usually meets four times each year. Further meetings occur, or actions are taken in writing, when deemed necessary or desirable by the committee or its chair.

Meetings are scheduled by IBA in the autumn for the forthcoming year. No less than two weeks' notice will generally be given of a proposed change in the date or time of the meeting.

Exceptionally, a meeting may be required as a matter of urgency without the requisite notice being given. Members of the committee may participate in committee meetings in person or by telephone / video conference.

7.3 Meeting preparation

In conjunction with the chair, IBA and Endex establish the agenda for each committee meeting.

Papers are generally circulated to committee members at least a week before the meeting unless a genuinely urgent matter arises. The determination as to whether a matter is genuinely urgent will be made by IBA, after consultation with Endex if appropriate. The chair may request further information from IBA regarding any delayed paper.

IBA provides the committee with documentation and data relevant to the committee's terms of reference.

IBA will respond positively to additional information requests from the committee provided that these are consistent with the committee's responsibilities and would not breach confidentiality obligations that IBA owes to the trading venues which make data available to IBA for the production of the Benchmarks.

In providing documentation and data to the committee, IBA gives due consideration to expected timings for each item. IBA seeks, in conjunction with the chair of the committee, to allocate sufficient time for discussion of topics.

7.4 *Meeting quorum*

The quorum is three committee members which must include a committee member from IBA's legal representative in the EU.

If a quorum is not present at the scheduled commencement time of a meeting of the committee, the meeting shall be adjourned for 15 minutes or such other time as the chair may deem appropriate in the circumstances.

If the quorum is not present following the adjournment, the committee members present may discuss matters but shall not move forward to any binding vote at the meeting. IBA may subsequently email all committee members with a request to vote electronically.

7.5 *Conduct of meetings and decision-making*

For the sake of efficiency of meetings, committee members are expected to have read the meeting materials and to be prepared for the committee discussion with, at most, the key points or questions requiring to be highlighted by the chair or IBA at the meeting.

Should there be a committee vote on any matter, each committee member shall have one vote and decisions of the committee shall be made by a simple majority. Should the numbers of votes cast for and against be equal, the chair of the committee may exercise a deciding vote.

Where the chair determines that a committee member has an actual or potential material conflict of interest on a particular matter, that committee member shall not be allowed to vote on that matter. Where the committee member from IBA's legal representative in the EU is subject to a conflict and is not allowed to vote on a particular matter, this circumstance alone shall not invalidate the quorum and the vote may take place without such committee member.

If the chair of the meeting has agreed that an alternate may attend, the alternate may vote in place of the appointed member.

7.6 *Minutes*

Within one week of a meeting of the committee, IBA draws up a list of actions from the meeting and shares this with the committee chair.

IBA aims to send draft minutes to committee members within 8 working days after the meeting, requesting comments within one week. IBA addresses any comments received, in consultation with the meeting chair as appropriate. Minutes of committee meetings are then shared with the FCA upon request and with ESMA in relation to ICE Swap Rate.

The minutes are submitted to the committee for formal approval at its next meeting.

IBA circulates minutes of committee meetings to the Board of IBA.

Public (redacted or summary) minutes are published by IBA. The approval process is the same as for the full minutes.

7.7 *Resources*

The committee has no budgetary authority.

However, if the committee sees a need for additional resources (for example, for special counsel or other experts or consultants) to discharge its duties and responsibilities, the chair shall refer the request to the President of IBA or to the IBA Board as appropriate.

7.8 *Contact points*

The chair of the committee is responsible for its overall direction and coordination.

The chair is also the committee's contact point for IBA and Endex, the IBA Board and the FCA.

The chair attends regularly at IBA Board meetings to provide an overview of the committee's work.

8. **Disputes**

The chair of the committee is expected to seek to achieve a consensus of views amongst committee members.

Where this is not possible and a dispute cannot be resolved through discussion, the chair should take a formal vote on the matter in question. The chair may exercise a deciding vote.

The chair will seek to discuss a dispute with the management and chair of IBA. The chair will also inform the FCA and ESMA in relation to ICE Swap Rate of the matter as appropriate.

9. **Review of the workings of the committee**

Unless agreed otherwise by the Board, the chair of the committee undertakes an annual review of the workings of the committee. IBA may arrange a review in a different manner, for example using external consultants.

The findings of the review are reported to the committee.

The findings are subsequently reported to the N&CGC together with an assessment as to whether there is appropriate representation, expertise and experience among the committee membership.

TERMS OF REFERENCE

The Terms of Reference of the ICE Swap Rate and Term Reference Rates Oversight Committee (ISTROC) are:

1. Reviewing the definition, methodology and setting of ICE Swap Rate® and the ICE Term Reference Rates (the Benchmarks) at least annually;
2. In conducting reviews in accordance with Term 1, assessing the underlying market and the usage of the Benchmarks;
3. Overseeing any changes to the methodology of the benchmarks and requesting IBA to consult on proposed changes;
4. Overseeing IBA's control framework insofar as it affects the Benchmarks and the management and operation of the Benchmarks;
5. Overseeing IBA's adherence to its published Methodologies, including calculation and business continuity policies;
6. Overseeing any third party involved in the provision of the benchmark, including calculation or dissemination agents if applicable;
7. Assessing internal and external audits or reviews insofar as they affect the Benchmarks and monitoring the implementation of identified remedial actions;
8. Reviewing and approving procedures for the withdrawal of any currencies or tenors of the Benchmarks, should such withdrawal have been appropriately decided upon and approved in accordance with applicable laws and regulation;
9. Considering existing or potential conflicts of interest and establishing whether they are material;
10. Notifying the FCA and, in relation to ICE Swap Rate, ESMA of any suspected misconduct by IBA and of any anomalous or suspicious input data to the Benchmarks; and
11. Keeping these Terms of Reference of the Committee under regular review.

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