



## Economic affairs MEPs target conflicts of interest in benchmark setting

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**A draft EU law to make the benchmarks used to price EU citizens' mortgages, loans and bonds more trustworthy was backed by the Economic and Monetary Affairs Committee on Tuesday. The text (lead MEP Cora van Nieuwenhuizen, ALDE, NL) aims to clean up the benchmark-setting process, by curbing conflicts of interest like those that led to the London Interbank Offered Rate (LIBOR) rigging scandals of recent years.**

Manipulating benchmarks such as LIBOR (London Interbank Offered Rate) or EURIBOR (Euro Interbank Offered Rate) undermines market confidence, distorts the economy, reduces investors' profits and inflates mortgages and loans. Other benchmarks similarly influence energy and currency markets.

### Curbing critical conflicts of interest

The draft law aims to curb conflicts of interest in setting "critical" benchmarks, such as LIBOR and EURIBOR, which influence financial instruments and contracts with an average value of at least €500 billion and could thus affect the stability of financial markets across Europe.

The setting of critical benchmarks that affect more than one country would be overseen by a "college" of supervisors, including the European Securities and Markets Authority (ESMA) and other competent authorities.

Critical benchmark-setting data would have to be verifiable and come from reliable contributors who are bound by a code of conduct for each benchmark. Contributors, such as banks contributing data needed to determine a critical benchmark, would have to notify the benchmark administrator and the relevant authority if they wished to cease doing so, but would nonetheless have to continue doing so until a replacement were found.

Critical benchmark administrators would have to have a clear organisational structure to prevent conflicts of interest, and be subject to effective control procedures.

The final decision on whether a benchmark is "critical" would be up to ESMA and national authorities, but a national authority could also deem a benchmark administered within its territory to be critical if it has a "significant" impact on the national market.

### Transparency requirements

All benchmark administrators would have to be registered with the ESMA and would have to publish a "benchmark statement" defining precisely what their benchmark measures and to what extent it is reliable.

They would also have to publish or disclose existing and potential conflicts of interest and meet accountability, record keeping, audit and review requirements.

# Press release

## Next steps

The text will be put to a vote by Parliament as a whole to consolidate Parliament's position before its three-way negotiations with EU member states and the European Commission.

## Facts

- Benchmark “administrators” are natural or legal persons, who collect, analyse and process data that are not publicly available or use a formula or calculation method to determine a benchmark. MEPs want these methods to be made public or, if this would breach intellectual property rights, at least made available to the relevant competent authority.

## Useful links

- Committee on Economic and Monetary Affairs:  
<http://www.europarl.europa.eu/committees/en/econ/home.html>
- Catch up via Video on Demand: <http://www.europarl.europa.eu/ep-live/en/committees/?legislature=8&start-date=01-07-2014&end-date=31-03-2015&committee=ECON>
- Profile of rapporteur Cora van Nieuwenhuizen (ALDE, NL):  
[http://www.europarl.europa.eu/meps/en/125019/CORA\\_VAN+NIEUWENHUIZEN\\_home.html](http://www.europarl.europa.eu/meps/en/125019/CORA_VAN+NIEUWENHUIZEN_home.html)

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