

CBF Benchmark Review Policy

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1 Introduction

The Chilean Benchmark Facility SpA (CBF) is the administrator of the CBF Benchmarks¹ and Indices². The CBF has developed and implemented this Benchmark Review policy, being a formalised and approved process for the review of CBF Benchmarks' and Indices' definitions and methodologies at a frequency consistent with good practice.

2 Regulation References

2.1 The International Organisation of Securities Commissions (IOSCO)

IOSCO published the Principles for Financial Benchmarks in July 2013 [the Principles]³. The Principles are intended to promote the reliability of benchmark determinations, and address benchmark governance, quality and accountability mechanisms. Although the Principles set out uniform expectations, IOSCO does not expect a *one-size-fits-all* method of implementation to achieve these objectives. The Principles provide a framework of standards that benchmark administrators should implement according to the specificities of each benchmark. In particular, the application and implementation of the Principles should be proportional to the size and risks posed by each benchmark and/or benchmark administrator and the benchmark-setting process. Moreover, nothing in the Principles is intended to restrict a benchmark administrator from adopting its own unique methodology or from adapting their methodologies to changing market conditions in order to meet the Principles.

The 19 Principles are divided into four key sections: Governance, Quality of the Benchmark, Quality of the Methodology and Accountability. Principle 10 addresses the Periodic Review of the underlying interest that the benchmark measures, as follows:

10. Periodic review

The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark.

The Administrator should Publish or Make Available a summary of such reviews where material revisions have been made to a Benchmark, including the rationale for the revisions.

3 CBF Benchmark Review Policy

3.1 Intention

The CBF Benchmarks intends to provide transparency about the Benchmarks' and Indices' purpose and methodology.

As part of this transparency, the CBF will periodically review the underlying market to ensure the fitness of the benchmarks' and indices' methodology in light of the (evolving) structure and depth of the underlying market.

3.2 Periodic review

The CBF will conduct an annual review of the underlying market and determine the fitness of the benchmarks' and Indices' methodology.

¹ TAB Nominal, TAB UF, TADO

² ICP, ICP Real

³ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

3.3 Review Process

The CBF will use a number of means to determine the structure and depth of the underlying market and will collect the following metrics (where available) on a quarterly basis;

- Number and size of transactions in the underlying market
- Spread to similar markets and other benchmarks/indices
- Number of outlier submissions to the benchmark
- Number of submitters to the benchmark
- Historical data analysis
- Other metrics that are developed from time to time

The metrics will be collected by the CBF Secretariat each quarter and provided to the CBF Oversight Committee as part of the quarterly review process.

Each quarter the Oversight Committee will review the metrics and note any material changes to the underlying market. On an annual basis, the Oversight Committee will make their final assessment of the conditions in the underlying market.

3.4 Responsibility

The responsibility for the annual review lies with the Oversight Committee. The CBF Secretariat will provide assistance, at the direction of the Oversight Committee, to perform analysis of underlying market activity and the collation of relevant metrics and reports.

3.5 Final Assessment

The Oversight Committee will be responsible for reviewing the conditions of the underlying market and the fitness of the benchmarks' and Indices' methodology. It will either determine;

- a. the current methodologies continue to be suitable for their intended purpose
- b. the current methodologies are no longer suitable for their intended purpose and would benefit from some adjustment

3.6 Oversight Committee Recommendations

In the case that the Oversight Committee determines that the methodologies are no longer suitable for their intended purpose, due to changes in the underlying market, it will recommend to the Board of Directors, one of the following courses of action;

- a. a change to the methodologies to ensure their suitability to measure the underlying market conditions
- b. investigate alternate comparative benchmarks and indices that could facilitate a cessation of the benchmark

In each case the Oversight Committee would provide a rationale for their recommendation and a request to undertake a consultation on any material change.

3.7 Publication of Benchmark Review

The CBF Benchmarks will publish on its website the results of its annual review of the methodologies, including any proposed changes to the methodologies and the rationale behind such changes.

3.8 Post Benchmark Review actions

In the case that a review of the Benchmark and indices, under the Benchmark Review Policy, results in a recommendation for a material change to the methodologies, the Board of Directors will utilise the CBF Benchmarks Consultation policy to elicit feedback from stakeholders. Subject to the results of the consultation the Board of Directors may decide to implement the recommended changes and will take appropriate steps to achieve this objective.