

CBF Oversight Committee Terms of Reference

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1 The Oversight Committee Overview

The Chilean Benchmark Facility (**CBF**) is the Benchmark Administrator of the Chilean Benchmarks¹ and Indices². The Oversight Committee (**the Committee**) is an independent committee that has the primary governance oversight of the methodology, determination and dissemination of the Benchmarks and Indices. The Committee's purpose is to support the integrity, accuracy and reliability of the Benchmarks and Indices to the benefit of all users of the Benchmarks, Indices and reliant market participants. The Committee will be comprised of a blend of independent experts, representatives from contributors to the Benchmarks (Panel Banks), independent members from ABIF, end users of the Benchmarks and Indices and the CBF. Other members may include representatives from the regulators, stakeholder committees and market infrastructure providers on a non-voting basis.

The Committee is embedded within the organisational structure of the CBF but distinct from other governance functions of the CBF. The Committee shall assess and challenge the decisions of the CBF Board of Directors (the **Board**) with regards to the provision of the Benchmarks and Indices to ensure the Benchmarks and Indices comply with the IOSCO Principles³ and any relevant regulation.

The CBF has developed and maintains robust procedures regarding its oversight function. The Committee will be granted access to all CBF documentation necessary to carry out its duties.

2 Responsibilities

With respect to the Benchmarks and Indices determination:

- Conducting regular reviews (at a minimum annually) of all aspects of the determination methodology and definition of the Benchmarks and Indices. In conducting these reviews, the Committee should consider the underlying market dynamics and the usage of the Benchmarks and Indices.
- Oversight of the Panel Bank Code of Conduct including overseeing the practice standards as detailed in the Panel Bank Code of Conduct and reviewing these regularly.
- Defining, reviewing and updating the operational processes and procedures by which Panel Banks contribute to the Benchmarks.
- Adopting, reviewing and where required updating the Benchmarks Control Framework to ensure that the Benchmarks and Indices are determined and published in accordance with all relevant CBF governance arrangements including the Panel Bank Code of Conduct, the IOSCO principles and any applicable regulatory standards.
- Monitoring the input data and contributors and the actions of the CBF as the administrator of the Benchmarks in challenging or validating contributions of input data.
- Monitoring Panel Banks' adherence to the Panel Bank Code of Conduct, including but not limited to the regularity and coverage of Benchmark contributions.
- Taking effective measures in respect of any breaches of the Panel Bank Code of Conduct.
- Developing proposals for consultation of prospective material changes to the Benchmarks and Indices determination methodology or definition and have regard to any representations made in response to consultations undertaken.

¹ TAB Nominal, TAB UF, TADO

² ICP, ICP Real

³ IOSCO Principles for Financial Benchmarks (July 2013)

- Reviewing and approving procedures for the cessation of the Benchmarks and Indices, including any consultation about a cessation.

With respect to the Benchmarks Contribution Panel

- Undertaking regular reviews of the composition of the Benchmarks contribution panel.
- Defining rules and procedures to join, remain or leave the Benchmarks contribution panel.
- Requesting an external audit of a contributor if the Committee is dissatisfied with any aspects of a contributor's conduct.

With respect to the Benchmark Administrator

- Considering existing or potential conflicts of interest where material.
- Taking measures to remain informed about material issues and risks relating to the determination of the Benchmarks and Indices.
- Overseeing the CBF's adherence to the Panel Bank Code of Conduct, other governance arrangements and the published Benchmark and Indices methodologies, including calculation, re-fix and business continuity policies.
- Recommending as appropriate that external reviews of the Benchmarks and Indices be commissioned by the CBF.
- Assessing internal and external audits or reviews and monitoring the implementation of identified remedial actions.
- Keeping the CBF Oversight Committee Terms of Reference and the CBF Oversight Committee Rules and Procedures under regular review.

3 Appointment of members to the Committee

The Board has the authority and responsibility to determine the membership of the Committee on an annual basis. Appointments to the Committee will be for an initial period of one year. The Board will nominate a candidate to act as the Committee's Chairperson and the Committee itself will ratify the nomination. If the Committee does not wish to ratify the Board nominated candidate, the Board will nominate an alternative candidate for the Committee's ratification. This process will continue until the Chairperson position has been confirmed by the Committee.

The Committee shall be composed of members that together have the skills and expertise appropriate to the oversight of the provision of the Benchmarks and to the responsibilities the oversight function is required to fulfil.

The CBF Secretariat will assist the Board in identifying suitable nominees for Committee membership, taking into consideration such matters as the nominee's specialist skills, knowledge and expertise, independence and their availability to attend meetings. The Committee should have sufficient coverage of relevant subject matter including financial markets, legal, regulatory, risk and compliance and accounting. Committee representation from academia is also desirable.

The CBF will ensure that members with conflicts of interest shall not hold a majority. The CBF will also give due consideration to conflicts arising from relationships between potential members and other external stakeholders with a vested interest in the Benchmarks rates.

4 Committee Membership

The Committee will be comprised of a blend of independent experts, representatives from contributors to the Benchmarks (Panel Banks), independent members from ABIF, end users of the Benchmarks and Indices and the CBF. Other members may include representatives from the regulators, stakeholder committees and market infrastructure providers on a non-voting basis.

The Board will ensure that the Committee has a minimum of 6 and a maximum of 12 voting members. Ideally the Committee shall include:

- At least two independent members, preferably one from academia
- Representatives from supervised entities that use the Benchmarks and Indices
- Representatives from contributors to the Benchmarks where the maximum number of these representatives does not form a majority of Committee voting members.
- Representatives from external stakeholders such as regulators, stakeholder committees and market infrastructure operators in a non-voting capacity.
- At least one CBF staff not part of the CBF Board nor directly involved in the provision of the Benchmarks and Indices or any related activities.
- At least two CBF staff involved in the provision of the Benchmarks in a non-voting capacity
- Members shall not include persons who have been convicted of financial services related offences, in particular manipulation or attempted manipulation.
- Details of the Committee membership will be made public on the CBF website as will any declarations of any conflict of interest along with the processes for election and nomination of Committee members.
- Subject to meeting the criteria for selection, observers may be invited to attend meetings of the Committee.

5 Removal of members to the Committee

The Board may remove a person as a member of the Committee if, for any reason, it appears appropriate for the Board to do so, including without limitation for the following reasons:

- The person was appointed to the Committee as a representative of an organisation which he or she is no longer employed by and the Board considers their involvement is no longer in the best interests of the Committee.
- The person has become physically or mentally incapable of acting as a Committee member.
- The person has served notice of his or her intention to retire from the Committee and the Board considers their membership is no longer required.
- The person is repeatedly absent without the permission of the Chairperson of the Committee.

A person, as a member of the Committee, wishing to resign from the Committee is required to communicate their intention to resign by providing six-month notice in writing to the Chairperson of the Committee. The Chairperson, may at their discretion, accept a lesser notice period if requested by the resigning member where, in the Chairperson's opinion, a lesser notice period will have no negative impact upon the Committee's ability to fulfil its mandate.

6 Managing Conflicts of Interest within the Committee

To mitigate any potential conflicts of interest all Committee members appointed on a personal basis must be independent and must not be subject to instructions from the companies or organisations to which they belong. Accordingly, on an annual basis each member of the Committee must submit and sign a declaration of interest whereby members shall declare any relevant interests.

Members of the Committee that were appointed as representatives of contributors to the Benchmark or other entities as stated in section 4, shall declare that they are employees of their entity.

Declared conflicts of interest will be made publicly available on the CBF website.

Conflicts of interest which may arise within the Committee due to competing interests shall be managed using, where appropriate, the following non-exhaustive list of procedures:

- External Committee members should have their voting rights suspended for decisions that would have a direct business impact on the organisations they represent.
- Committee members are required to disclose conflicts ahead of the discussion of each agenda item during meetings of the Committee.
- Committee members should excuse themselves from specific discussions of agenda items which would cause them to become conflicted, either prior to the agenda item being discussed or during discussion should a conflict arise at that time. This situation shall be notified to the Chairperson, who will decide whether the members can participate or voting in the discussion. Details of any exclusion are to be recorded in the minutes of any relevant meeting and redacted such minutes prior to publication.
- Committee members that are excused from discussion to avoid conflicts will have their voting rights removed for decisions relating to the specific agenda item.
- Persons⁴ already sitting on the oversight function of another benchmark administrator may not be a member of the Committee.

Where it is not possible to manage the conflicts of interest through the procedures listed above or by other means, the CBF will revise the structure of the Committee and where appropriate, replace the conflicted members.

7 Administrative details

- The Committee shall meet at a minimum on a quarterly basis.
- Decisions of the Committee will be minuted and made public on the CBF's website within 28 days of Committee meetings. Prior to publication, Chairperson will review the public minute.
- Rules governing the operational functioning of the committee are detailed in the accompanying document "the Oversight Committee Rules and Procedures"
- This document will be publicly available on the CBF website.

⁴ Persons does not include representatives from the Global Rate Set Systems group of companies