

# Panel Bank Code of Conduct

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# 1 Purpose

The Purpose of this Panel Bank Code of Conduct (Code of Conduct) is to ensure consistent behaviour by Panel Banks in respect to their provision of Input Data to the quality, accuracy and quantity required by the methodology used to determine the Benchmarks<sup>1</sup>.

As Administrator, CBF, has taken into consideration the nature, scale and complexity of the activities of the Panel Banks including whether conflict of interest may rise between the contribution to the Benchmarks and trading or other activities performed by the Panel Banks; and the level of discretion involved in the process of contribution.

The CBF will only accept contributions of Input Data<sup>2</sup> for the determination of the Benchmarks from banks that have the status of Panel Bank as described within this Code of Conduct.

Each Panel Bank is expected to develop its own control framework consisting of controls and procedures to meet the requirements of this Code of Conduct. It is possible that a single control and a single procedure can satisfy more than one requirement of this Code of Conduct.

## 1.1 Language

The Spanish version of this Code of Conduct is the predominant version. This English version is a translation from the Spanish for the information of readers outside of Chile.

## 1.2 Alignment with IOSCO Principles<sup>3</sup>

This Code of Conduct is aligned with the IOSCO Principles for Financial Benchmarks (July 2013). As the Benchmarks are based on Input Data contributed by Panel Banks the CBF has developed this Code of Conduct to clearly specify Panel Banks' responsibilities with respect to their Contribution of Input Data to the CBF.

## 1.3 Subject to Change

This Code of Conduct may be subject to change on three months' notice. The CBF will consult with Panel Banks regarding any adjustments to the Code of Conduct to gain their approval prior to the implementation of changes. Upon agreement Panel Banks must ensure that appropriate changes are made to their processes and procedures within this timeframe or as advised by the CBF to meet the requirements of the Code of Conduct.

## 1.4 Binding Agreement

A Panel Bank shall indicate acceptance of the Code of Conduct by executing and delivering to the CBF a 'Declaration of Accession' in a form provided by the CBF as attached in Annex 1.

Following the execution of the Declaration of Accession each Panel Bank shall implement any new processes and procedures required to achieve their compliance with the provisions within this Code of Conduct. When a Panel Bank is in a position to contribute Input Data to the CBF in accordance with the Code of Conduct it shall execute and deliver to the CBF a 'Declaration of Compliance' and thereafter on an annual basis, and in case of changes to it, in a form provided by the CBF as attached in Annex 2. The Code of Conduct will be

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<sup>1</sup> TAB Nominal, TAB UF and TADO

<sup>2</sup> Input Data refers to contribution by Panel Banks. TAB/TADO rates instead refers to the final calculated value.

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

effective from the date stated in Section 10 of this Code of Conduct, such date to be determined by the CBF Board of Directors with endorsement by the CBF Oversight Committee<sup>4</sup>.

## 1.5 Requirements for Acceptance on Panel

A Panel Bank is required to be a regulated entity by *Comisión para el Mercado Financiero* (CMF), and participant in the Chilean interbank institutional market.

## 1.6 Assignment of the Status of Panel Bank

A written application for the status of Panel Bank shall be sent by a bank to the CBF. This application shall include a declaration of the applicant's ability and willingness to satisfy the obligations set out in this Code of Conduct.

The CBF shall decide on the assignment of the status of Panel Bank within 60 days of receipt of the application.

The CBF shall notify the applicant of the decision in respect to the assignment of the status of Panel Bank within three working days of the decision being made. The decision shall include the date from which the Panel Bank shall start to submit Input Data to the CBF.

The assignment of the Panel Bank status including the date from which a newly accepted bank starts to submit Input Data for the Benchmarks' calculation shall be announced by the CBF in writing to all other Panel Banks (and the CMF and Central Bank of Chile) within three working days of the decision being made.

Panel Banks and their official address will be listed on the CBF website.

## 1.7 Withdrawal of the Status of Panel Bank

The CBF may withdraw the status of Panel Bank:

- a) at the request of the Panel Bank
- b) in the case of non-compliance with the conditions of this Code of Conduct as determined by the CBF Oversight Committee

Panel Banks are obliged to notify the CBF in writing of their intent to withdraw as a Panel Bank pursuant to Clause 1.7(a) at least three months in advance. The CBF shall confirm the withdrawal of the status of a Panel Bank within 30 days of receipt of the request.

Withdrawal of the status of Panel Bank in accordance with Clause 1.7 (b) will be discussed in the Oversight Committee and decided by CBF.

Pursuant to Clause 1.7(b) a Panel Bank shall be notified in writing of the decision in respect to the withdrawal of the status of Panel Bank within 3 working days of the decision being made. Such notification will include the reasons for withdrawal. The decision shall become effective on the date stated in the notification. Panel Banks can appeal the decision of the CBF in respect of Clause 1.7(b).

The CBF shall inform other Panel Banks (and the CMF and Central Bank of Chile) of the decision on the withdrawal of the status of Panel Bank in writing within 3 working days of the decision being made. This shall include also information about the effective date of the withdrawal.

Panel Banks withdrawn from the Panel will be de-listed from the CBF website.

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<sup>4</sup> The CBF Oversight Committee is an independent committee that has the primary governance oversight of the methodology, determination and dissemination of the Benchmarks.

## 2 Systems and Controls of Panel Banks

### 2.1 Panel Bank Staff Expertise

#### 2.1.1 PANEL BANK KNOWLEDGE OF RELEVANT DOCUMENTATION

CBF shall have in place a Contribution User Guide, which explains the Calculation Agent System features, and Business Continuity Protocol (BCP) and Disaster Recovery Plan (DRP) processes.

Each Panel Bank shall have procedures to ensure that each Submitter and Approver<sup>5</sup> has adequate knowledge of:

- a) the Input Data contribution process as described in the Contribution User Guide provided by CBF.
- b) how the Benchmarks are intended to measure the underlying market
- c) this Code of Conduct
- d) the IOSCO Principles<sup>6</sup> relevant to the contribution of Input Data.

The knowledge of Submitters and Approvers referred to in points a) to d) above shall be periodically reviewed by the Panel Bank, at least annually, to verify that it is still appropriate that they act as Submitters and Approvers.

#### 2.1.2 IDENTIFICATION AND AUTHORISATION OF SUBMITTERS

A Panel Bank will ensure the identification and authorisation of the persons that may Submit and Authorise Input Data to the CBF and the CBF will implement procedures to verify the identity of those Submitters and Authorisers.

For this purpose, each Panel Bank shall nominate an employee as a Panel Bank Key Contact, who will inform the CBF of the persons that can act as Submitters (and/or Approvers) of Input Data on behalf of their organisation.

CBF shall give to each person identified and authorised by the Panel Bank Key Contact, a unique username and password for access to the Calculation Agent System for the purpose of Submitting or Approving Input Data.

CBF will maintain a record within the Calculation Agent System, of the login credentials, Submissions and Approvals of each Panel Bank.

#### 2.1.3 NOTIFICATION OF AUTHORISED SUBMITTERS TO THE BENCHMARKS

The Panel Bank will notify the identity of any individual authorised to Submit or Approve Input Data on its behalf to the CBF. The Panel Bank will use a form specifically designed by the CBF for this purpose, attached as Annex 3, which will be signed by a listed authority within the Panel Bank. The Panel Bank will send the completed form to the CBF via electronic mail to [cbf-helpdesk@cbf.cl](mailto:cbf-helpdesk@cbf.cl). On receipt of this form, the CBF will confirm directly with the Panel Bank as to the details contained in the form for security purposes.

<sup>5</sup> The CBF can provide a list of Approvers and Submitters upon request by the Panel Bank

<sup>6</sup> Particularly Principle 7 – *Data sufficiency* and Principle 8 – *Hierarchy of data inputs*

## 3 Input Data Requirements

### 3.1 Description of Input Data<sup>7</sup>

#### 3.1.1 FOR TAB NOMINAL,

Panel Banks are to Submit Input Data to the CBF, in accordance with *Clause 3.3 Priority of use of Input Data*, as follows:

- a) Input Data should contain rates for one month, three months and six months, tenors for term deposit;
- b) Input Data should contain a rate for the twelve months tenor for deposit promissory notes;
- c) Input Data shall not consider the effect of any Banking reserve requirement nor the interests associated with it.
- d) Input Data should be provided according to the requirements as specified in Clause 3.3;
- e) Each rate should be a positive number, or zero, expressed in percentage terms on an annual basis to 2 decimal places;
- f) All tenor rates are to be provided each day;
- g) Input Data will be entered into the CBF Calculating Agent system according to the CBF11001s Contribution Procedures for Panel Banks document;
- h) Input Data will be required from Panel Banks each day banks are open in Chile
- i) Input Data will be entered into the CBF Calculating Agent system after 9:00am and before 11:00am each day. Panel Banks may, exceptionally, alter their submissions after 11:00am but not later than 11:15am local time in the event the CBF deems it appropriate to request the Panel Bank to confirm their Input Data.

#### 3.1.2 FOR TAB UNIDAD DE FOMENTO,

Panel Banks are to provide Input Data to the CBF, in accordance with *Clause 3.3 Priority of use of Input Data*, as follows:

- a) Input Data should contain rates for three months and six months adjustable term deposits in Unidades de Fomento;
- b) Input Data should contain a rate for the twelve months tenor for adjustable promissory notes in Unidades de Fomento;
- c) Input Data shall not consider the effect of any Banking reserve requirement nor the interests associated with it.
- d) Input Data should be provided according to the requirements as specified in Clause 3.3;
- e) Each rate should be a positive number, or zero, expressed in percentage terms on an annual basis to 2 decimal places;
- f) All tenor rates are to be provided each day;

<sup>7</sup> Input Data is the information contributed by Panel Banks to the CBF for the purposes of calculating the Benchmarks. Not all Panel Banks contribute to all Benchmarks and therefore the Contribution of Input Data described in 3.1.1, 3.1.2, 3.1.3 and 3.1.4 is applicable to Panel Banks that contribute to TAB Nominal. TAB UF, TADO and Inflation Expectations, respectively.

- g) Input Data will be entered into the CBF Calculating Agent system according to the CBF 11001s Contribution Procedures for Panel Banks document;
- h) Input Data will be required from Panel Banks each day banks are open in Chile, but not at weekends.
- i) Input Data will be entered into the CBF Calculating Agent system after 9:00am and before 11:00am each day. Panel Banks may, exceptionally, alter their submissions after 11:00am but not later than 11:15am local time in the event the CBF deems it appropriate to request the Panel Bank to confirm their Input Data.

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### 3.1.3 FOR TADO

Panel Banks are to provide Input Data to the CBF, in accordance with *Clause 3.3 Priority of use of Input Data*, as follows:

- a) Input Data should contain rates for one month, two months, three months, six months, and twelve months tenors in United State Dollars;
- b) Input Data should contain a rate for the twelve months tenor for deposit promissory notes in United State Dollars;
- c) Input Data shall not consider the effect of any Banking reserve requirement nor the interests associated with it.
- d) Input Data should be provided according to the requirements as specified in Clause 3.3;
- e) Each rate should be a positive number, or zero, expressed in percentage terms on an annual basis to 2 decimal places;
- f) All tenor rates are to be provided each day;
- g) Input Data will be entered into the CBF Calculating Agent system according to the CBF11001s Contribution Procedures for Panel Banks document;
- h) Input Data will be required from Panel Banks each day banks are open in Chile.
- i) Input Data will be entered into the CBF Calculating Agent system after 9:00am and before 11:00am each day. Panel Banks may, exceptionally, alter their submissions after 11:00am but not later than 11:15am local time in the event the CBF deems it appropriate to request the Panel Bank to confirm their Input Data.

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### 3.1.4 FOR INFLATION EXPECTATIONS

Panel Banks are to provide Input Data to the CBF, in accordance with *Clause 3.3 Priority of use of Input Data*, as follows:

- a) at the time of TAB/TADO submission, the expectation of inflation;
- b) Input Data should contain quotes for one month, two months, three months, four months, five months and six months;
- c) each inflation expectation should be a positive or negative number, expressed in percentage terms on a monthly basis to 2 decimal places;
- d) all tenor are to be provided each Tuesday, or the following business day if a holiday;
- e) Input Data will be entered into the CBF Calculating Agent system according to the Contribution Procedures for Panel Banks CBF11001;



- f) Input Data will be entered into the CBF Calculating Agent system after 9:00am and before 11:00am each Tuesday (or the following business day if a holiday). Panel Banks may, exceptionally, alter their submissions at that time, but not later than 11:15am local time.

## 3.2 Internal Procedures Ensuring Panel Bank Provides Relevant Input Data

A Panel Bank should have in place processes and procedures to ensure that it provides all relevant Input Data. Each Panel Bank will have an Input Data procedure that includes at least a description of:

- a) the data to be considered in determining the Input Data contribution;
- b) the data that a Panel Bank may exclude in determining the Input Data contribution, and any reason that might justify such an exclusion, such as transactions that do not represent the bank cost of funding;
- c) a procedure for the transmission of data to the CBF that includes at least:
  - I. a method to be used for the secure transfer of data; and
  - II. contingency plans for submitting Input Data that address at least the following elements: technical and operational difficulties, the temporary absence of a Submitter, and a lack of Input Data required by the methodology.

## 3.3 Priority of Use of Input Data

### 3.3.1 FOR TAB NOMINAL

The priority of use of Input Data shall be as follows:

- a) Transactions<sup>8</sup> in the unsecured institutional Chilean Peso term deposit market, with a minimum transaction value of CLP 200 million<sup>9</sup> and in accordance with section 3.2;
  - I. transactions made by the Panel Bank in the primary market, on the Santiago Stock Exchange or another Stock Exchange.
  - II. transactions made by the Panel Bank in the primary market, performed off exchange.
- b) transactions in a related market of the unsecured institutional Chilean term deposit market in the same currency, with an adjustment factor<sup>10</sup> if deemed necessary, with a minimum transaction value of CLP 200 million, and in accordance with section 3.2;
  - I. transactions made by the Panel Bank in the secondary market, on the Santiago Stock Exchange or another Stock Exchange.
- c) if a Panel Bank's transactions in the underlying markets described above are not sufficient from which to base its submission, the following information should be considered and applied;
  - I. a contributor's observation of third-party transactions in the market describe in point (a) and (b);

<sup>8</sup> The transaction period for the determination of all input data shall be from 9:00am of the previous day to 9:00am of the day of contribution.

<sup>9</sup> In case of a single transaction, it shall be considered with a minimum amount of CLP 200 million. In case of multiples transaction, a Volume Weighted Average Price (VWAP) shall be applied with an accumulative amount not less than CLP 200 million.

<sup>10</sup> Adjustment factors are detailed in section 3.4.

- II. evidence of where a similar credit rated institution has transacted in the primary or secondary market;
- III. committed quotes;
- IV. indicative quotes or Expert Judgements.

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### 3.3.2 FOR TAB UNIDAD DE FOMENTO

The priority of use of Input Data shall be as follows:

- a) transactions<sup>11</sup> in the unsecured Chilean Unidad de Fomento certificate of deposit market with a minimum transaction value of CLF 25,000<sup>12</sup>, and in accordance with section 3.2;
  - I. transactions made by the Panel Bank in the primary market, on the Santiago Stock Exchange or another Stock Exchange.
  - II. transactions made by the Panel Bank in the primary market, performed off exchange.
- b) transactions in a related market of the unsecured Chilean Unidad de Fomento term deposit market in the same currency, with adjustment factor<sup>13</sup> if deemed necessary, with a minimum transaction value of CLF 25,000, and in accordance with section 3.2;
  - I. transaction made by the Panel Bank in the secondary market, on the Santiago Stock Exchange or another Stock Exchange.
- c) transactions in a related market of the unsecured Chilean Unidad de Fomento term deposit market in a different currency, with adjustment factor if deemed necessary, and in accordance with section 3.2;
  - I. transactions made by the Panel Bank in the primary market, on the Santiago Stock Exchange or another Stock Exchange.
  - II. transaction made by the Panel Bank in the secondary market, on the Santiago Stock Exchange or another Stock Exchange.
- d) if a Panel Bank's transactions in the underlying markets described above are not sufficient from which to base its submission, the following information should be considered and applied:
  - I. a contributor's observation of third-party transactions in the market describe in point (a), (b) and (c);
  - II. evidence of where a similar credit rated institution has transacted in the primary or secondary market;
  - III. committed quotes;
  - IV. indicate quotes or Expert Judgements.

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### 3.3.3 FOR TADO

The priority of use of Input Data shall be as follows:

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<sup>11</sup> The transaction period for the determination of all input data shall be from 9:00am of the previous day to 9:00am of the day of contribution.

<sup>12</sup> In case of a single transaction, it shall be considered with a minimum amount of UF 25,000 million. In case of multiples transaction, a Volume Weighted Average Price (VWAP) shall be applied with an accumulative amount not less than UF 25,000.

<sup>13</sup> Adjustment factors are detailed in section 3.4.

- a) transactions<sup>14</sup> in the unsecured Chilean USD deposit market with a minimum transaction value of USD 1 million<sup>15</sup>, and in accordance with section 3.2;
  - I. transactions made by the Panel Bank in the primary market, on the Santiago Stock Exchange or another Stock Exchange;
  - II. transactions made by the Panel Bank in the primary market, performed off exchange.
- b) transactions in the unsecured Chilean wholesale USD deposit markets including certificates of deposit and commercial paper, with adjustment factor<sup>16</sup> if deemed necessary with a minimum transaction value of USD 1 million, and in accordance with section 3.2;
  - I. transaction made by the Panel Bank in the secondary market, on the Santiago Stock Exchange or another Stock Exchange.
- c) transactions in a related market of the unsecured Chilean USD term deposit market in a different currency, with adjustment factor if deemed necessary, and in accordance with section 3.2;
  - I. transactions made by the Panel Bank in the primary market, on the Santiago Stock Exchange or another Stock Exchange;
  - II. transaction made by the Panel Bank in the secondary market, on the Santiago Stock Exchange or another Stock Exchange;
- d) if a Panel Bank's transactions in the underlying markets described above are not sufficient from which to base its submission, the following information should be considered and applied:
  - I. a contributor's observation of third-party transactions in the market describe in point (a), (b) and (c);
  - II. evidence of where a similar credit rated institution has transacted in the primary or secondary market;
  - III. committed quotes;
  - IV. indicate quotes or Expert Judgements.

### 3.4 Adjustments to Input Data

Input Data may be adjusted, by application of the following criteria:

- a) proximity of transactions to the time of provision of the Input Data and the impact of any market events within transaction window, with appropriate register that justify such adjustment;
- b) interpolation or extrapolation from transactions data;
- c) adjustments to reflect changes in the credit standing, legal requirement, liquidity and strategies of the Panel Banks and other market participants;
- d) if correlated market transactions are used in the determination of a submission, then the Panel Bank should apply a method of calculating their equivalence to the underlying market.

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<sup>14</sup> The transaction period for the determination of all input data shall be from 9:00am of the previous day to 9:00am of the day of contribution.

<sup>15</sup> In case of a single transaction, it shall be considered with a minimum amount of USD 1 million. In case of multiples transaction, a Volume Weighted Average Price (VWAP) shall be applied with an accumulative amount not less than USD 1 million.

<sup>16</sup> Adjustment factors are detailed in section 3.4.

## 4 Contribution of Input Data

Each Panel Bank shall have in place a control framework<sup>17</sup> that ensures the integrity, accuracy and reliability of Input Data.

### 4.1 Processes for Contributing Data

Each Panel Bank shall keep and maintain a documented and effective process for Contributing Input Data, and shall include:

- a) a process for the designation of Submitters and Approvers and procedures for making contributions when a Submitter or Approver is unexpectedly unavailable, including the designation of alternates;
- b) procedures and systems for monitoring the data used for the Contributions, which should be capable of producing alerts in line with predefined parameters.

Also, each Panel Bank should have processes and procedures for contributing Input Data, including requirements for the Panel Bank to specify whether Input Data conforms to the requirements set out in this Code of Conduct.

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#### 4.1.1 USE OF AUTOMATED SYSTEMS TO CONTRIBUTE RATES

Where a Panel Bank uses an automated system for the Contribution of Input Data, where Submitters are not able to modify the Contribution of Input Data, Panel Banks must ensure that they:

- I. are able to monitor the proper functioning of the automated system on a continuous basis; and
- II. check the automated system following any update or change to its software, before new Input Data is contributed.

### 4.2 Ensuring Appropriate and Verifiable Input Data

Each Panel Bank will ensure the availability of all information necessary to check where applicable that:

- a) Input Data is provided by the Panel Bank or is selected from a source specified by the CBF within a time-period prescribed by the CBF;
- b) Input Data is provided by the Panel Bank in a format specified by the CBF;
- c) Input Data is Contributed from the Input Data sources as per Clause 3.3 and in consideration of any necessary adjustments in accordance with Clause 3.4;
- d) the source of Input Data is reliable;
- e) the Input Data meets the requirements set out in the methodology in particular the requirements on the currency or the unit of measurement, the tenor, and the types of counterparties;
- f) relevant thresholds for the quantity of Input Data and standards for the quality of Input Data are met in accordance with the methodology;
- g) the priority of use of different types of Input Data are applied in accordance with the methodology;

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<sup>17</sup> A control framework contains defined control objectives and specific controls to achieve those objectives

- h) the exercise of any discretion or Expert Judgement in the Contribution of Input Data is applied within the limits of the methodology and this Code of Conduct.

### 4.3 Input Data from Front Office

Where Input Data is Contributed from a front office function<sup>18</sup>, Panel Banks must establish and maintain a three-level control model for its internal oversight and verification procedures, as defined;

- a) an internal oversight procedure that describes:
  - I. the respective roles of the three levels of control functions set out below, as well as the means of cooperation and flow of information between them;
  - II. regular reporting of the operations of the three levels of control functions to the senior management of the Panel Bank;
  - III. communication to the CBF, upon request, of information requested by the CBF relating to the Panel Bank's internal oversight and verification procedures.
- b) a first level of control function that is responsible for:
  - I. effective checking of Input Data prior to contribution in accordance with any requirement for the validation of Input Data to which it is subject;
  - II. the review of Input Data prior to contribution to check its integrity and accuracy;
  - III. the restriction of contributed Input Data to persons involved in the Contribution process, except where access is justified under the rules and procedures of the Panel Bank, such as for persons involved in audits related to the Contribution of Input Data or persons involved in investigations relating to suspicious Input Data or errors;
- c) a second level of control function that is responsible for:
  - I. the review of Input Data after Contribution, that is independent from the first level control function, in relation to the integrity and accuracy of the Contributions;
  - II. the maintenance of a whistleblowing<sup>19</sup> procedure that includes appropriate safeguards for whistleblowers;
  - III. the maintenance of procedures for the internal reporting of any attempted or actual manipulation of Input Data and any failure to comply with the Panel Bank's Benchmark-related processes and procedures as well as for the investigation of such events as soon as they become apparent;
  - IV. the maintenance of internal reporting procedures for any operational problems in the Contribution process, as soon as they arise;
  - V. surveillance of communications between front office function staff directly involved in Contributions and other internal functions or external bodies;
- d) a third level of control function that is independent from the first two levels of control and responsible for performing checks, on a regular basis on the controls exercised by the first two levels of control.

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#### 4.3.1 ALTERNATIVE CONTROL MEASURES

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<sup>18</sup> Meaning any department, division, group, or personnel of contributors or any of its affiliates that performs any pricing, trading, sales, marketing, advertising, solicitation, structuring or brokerage activities

<sup>19</sup> The act of reporting malpractice

As an alternative of the above three-level model, and in support of the concept of proportionality, a Panel Bank can adopt a simpler organisational structure to submit Input Data from Front Office, in order to safeguard the following objectives:

- a) Internal sign off procedures by management for Submitting Input data
- b) Pre-Submission validation of Input Data, and procedures for multiple reviews by senior staff to check Input Data;
- c) physical separation of employees and reporting lines where appropriate;
- d) consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs (whether or not in order to influence the Benchmark levels), including, without limitation, through appropriate remuneration policies and by effectively addressing conflicts of interest which may exist between the Submitter's Submission activities (including all staff who perform or otherwise participate in Benchmark Submission responsibilities), and any other business of the Submitter or of any of its affiliates or any of their respective clients or customers.

Each Panel Bank should present a summary of their internal oversight and verification procedures to CBF, who will determine whether the proposal by the Panel Bank comply with core objectives. CBF Oversight Committee will be consulted from their independent assessment. CBF will give their answer within the following 15 business days.

#### 4.4 Reporting Lines and Sign-off of Input Data

Each Panel Bank will ensure that they have:

- a) an outline of responsibilities within the Panel Bank, including internal reporting lines and accountability, the location of Submitters and managers and the names of relevant individuals and alternatives;
- b) internal procedures for sign off by management for Submitting Input Data;
- c) effective oversight of the process for Contributing Input Data including risk management, the identification of senior personnel responsible for the process, and the involvement, if any, of the compliance and internal audit functions.

#### 4.5 Validation Prior to Submission

The Panel Bank should meet this Code of Conduct requirements for the validation of Input Data before it is provided to the CBF.

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##### 4.5.1 ERRONEOUS INPUT DATA

Each Panel Bank shall have procedures in place to address any errors discovered in the Contributed Input Data. Panel Banks will disclose any erroneous Input Data Submitted during the determination process, as soon as it is discovered. Corrections to Input Data after the determination process has been completed, must be Submitted according to the CBF Benchmarks Post Publication Re-determination policy.

#### 4.6 Whistleblowing Procedure

Each Panel Bank should have a procedure to allow whistleblowing, including appropriate safeguards for whistleblowers.

## 4.7 Suspicious Behaviour, Manipulation and Disciplinary Procedures

### 4.7.1 IDENTIFICATION OF SUSPICIOUS BEHAVIOUR

Each Panel Bank will ensure that it has a defined list of actions that would be considered suspicious, and the following procedures and rules are in place:

- a) effective procedures to prevent or control the exchange of information between persons engaged in activities involving a risk of conflict of interest where the exchange of that information may affect the Benchmarks Input Data Contributed;
- b) rules to avoid collusion among Panel Banks, and between Panel Banks and the CBF;
- c) measures to prevent, or limit, any person from exercising inappropriate influence over the way in which persons involved in the provision of Input Data carries out those activities.

### 4.7.2 PROCEDURES AND CONTROLS

A Panel Bank must have in place systems and controls to provide for at least the following:

- a) pre-contribution checks to identify suspicious Input Data, including effective checking processes in the form of a review of the data by a second person, and unusual data values. Described checks could be done as part of the Approver's functions;
- b) post-contribution checks to verify the Input Data has been contributed in accordance with the requirements of this Code of Conduct;
- c) monitoring of the transfer of Input Data to the CBF in accordance with the applicable procedures.

## 4.8 Internal Reporting of Suspicious Input Data

Each Panel Bank shall establish documented internal procedures that provide for its staff to report any suspicious Input Data to the Panel Bank's compliance function, if any, and to the Panel Bank's senior management. This could be achieved through the use of the Panel Bank's whistleblowing procedures or some other arrangements specific to the process of submitting Input Data.

## 4.9 Disciplinary Procedures

Each Panel Bank will have in place disciplinary procedures in respect of attempts to manipulate, or any failure to report, actual or attempted manipulation by parties external to the contribution process.

## 4.10 Notifications to CBF Regarding Suspicious Submissions of Input Data

Any attempts to manipulate the submission to the Benchmarks determination process, including breaches of the Panel Bank's own rules related to suspicious submissions, must be immediately reported to the CBF using the Whistleblowing mechanism on the CBF website. The Panel Bank will provide all relevant information regarding the nature of the suspicious submissions of Input Data. CBF will refer them to the Oversight Committee for their evaluation.

A Panel Bank is required to report detected breaches, or errors and the action taken as a consequence to the CBF within one month of the matter being detected

## 4.11 Managing Breaches

A Panel Bank should have in place a procedure for detecting and managing breaches of this Code of Conduct. The procedure for managing breaches shall include reviewing any detected breach or error, and recording the actions taken as a consequence.

## 4.12 Procedures on Use of Discretion

The Panel Bank should establish procedures on the use of discretion that specify at least the following:

- a) the circumstances in which it may exercise discretion;
- b) the persons within the Panel Bank that are permitted to exercise discretion;
- c) any internal controls that govern the exercise of the Panel Bank's discretion in accordance with its policies;
- d) any persons within the Panel Bank that may evaluate, *ex-post*, the exercise of discretion.

## 4.13 Contribution of Input Data Relying on Expert Judgement or Discretion

Where the Contribution of Input Data relies on Expert Judgement, the procedures of a Panel Bank in relation of the use of judgement or the exercise of discretion shall include:

- a) a framework for ensuring consistency between different Submitters, and consistency over time, in relation to the use of judgement or the exercise of discretion;
- b) identification of the information that can be used to support Expert Judgement or discretion, and of any information that should not be taken into account;
- c) procedures for the systematic review of any use of Expert Judgement.

Each Panel Bank shall keep records of the Input Data source that was considered for each contribution and any related exercise of discretion.

## 4.14 Alternative Control Measures

As an alternative approach to the control measures described in 4.12 and 4.13, a Panel Bank can report to the CBF the Input Data source that was considered for determining their Input Data contributions, using the CBF supplied spreadsheet 'TAB/TADO Input Data Reporting Template'. The reporting spreadsheet is required to be submitted to the CBF on any day that Input Data is contributed by the Panel Bank.

## 4.15 Periodic Reviews of Procedures

Each Panel Bank will conduct periodic reviews, of the procedures, and controls established in relation to the Contribution of Input Data, and whenever there is a change in this Code of Conduct.

# 5 Management of Conflicts of Interest

Each Panel Bank shall have in place procedures concerning the management of Conflicts of Interest. Each Panel Bank shall establish systems and controls concerning the management of Conflicts of Interest that include at least a Conflicts of Interest Procedure that addresses:



- a) the process for identifying and managing conflicts of interest, including any internal escalation of conflicts of interest;
- b) steps to prevent, or minimise the risk of, conflicts of interest in the process for recruiting Submitters;
- c) steps to prevent, or minimise the risk of, conflicts of interest in the remuneration arrangements for the Panel Bank's Submitters;
- d) steps to prevent, or minimise the risk of, conflicts of interest arising from the Contributor's management structure;
- e) requirements with respect to communications between Submitters and other staff within the Contributor's organisation;

## 5.1 Conflict of Interest Measures

Each Panel Bank shall have in place the following measures for the management of Conflicts of Interest:

- a) a register of Conflicts of Interest, that shall be kept up to date and used to record any Conflicts of Interest identified and any measures taken to manage them. The register shall be accessible by internal or external auditors;
- b) appropriate internal oversight procedures; when there is no organisational or physical separation of employees, the oversight procedures shall prescribe rules on the interaction of Submitters with front office employees.

## 5.2 Maintenance Requirements of Conflicts of Interest Procedure

Each Panel Bank shall include in the establishment and ongoing maintenance of their Conflicts of Interest procedure the following points:

1. the separation of the remuneration of a Submitter from the value of the Benchmarks, the specific values of the submissions made and any performance of an activity of the Panel Bank that might give rise to a conflict of interest related to the contribution to the Benchmarks;
2. effective procedures to control the exchange of information between Submitters and other staff of the Panel Bank involved in activities that may create a risk of Conflicts of Interest, where that information may affect the Input Data contributed;
3. contingency provisions in case of temporary disruption of the controls regarding the exchange of information referred to in point (2);
4. measures to prevent any person from exercising inappropriate influence over the way in which Submitters carry out their activities;
5. measures to ensure that the provision of Input Data is not affected by any existing or potential conflict of interest and that, where any discretion is required, it is independently and honestly exercised based on relevant information in accordance with this Code of Conduct;
6. effective Conflicts of Interest management procedures and communication controls, both within their Panel Bank and between Panel Banks and other third parties, to avoid any inappropriate external influence over those responsible for submitting rates;
7. the removal of any direct link between the remuneration of Submitters and the remuneration of, or revenues generated by, persons engaged in another activity, where a conflict of interest may arise in relation to those activities;
8. measures for the management of conflict of interest should also include remuneration arrangements in relation to Submitters that ensure that the remuneration of a Submitter:

- I. is not linked to the Benchmarks nor to the specific values of the submissions made; and
- II. is not linked to the performance of a specific activity of the Panel Bank that may give rise to a conflict of interest with the Contribution of Input Data to the Benchmarks

## 6 Record Keeping Procedures

Each Panel Bank shall have in place record-keeping procedures to provide that information in relation to the role of Panel Bank be kept for a minimum of five years, or three years where the records are of telephone conversation or electronic communications, on a medium that allows the storage of information to be accessible for future reference. The latter is without prejudice of the obligation of conservation as referred in Article 155 of the General Banking Law.

Each Panel Bank shall keep a record of all relevant information necessary to check the Panel Bank's adherence to this Code of Conduct, including a record of at least the following information:

- a) processes and procedures governing the Contribution of Input Data and any relevant changes therein;
- b) the register of Conflicts of Interest established;
- c) any disciplinary action taken against any of the Panel Bank's staff in respect of the Benchmarks related activities;
- d) a list of Submitters and persons performing checks in respect of contributions, including their names and roles within the Panel Bank, and the dates when the submission-related roles were authorised and exited;
- e) any interactions of submitters with the CBF;
- f) any detection and management of breaches or errors with regard to this Code of Conduct and actions taken as a consequence.

Each Panel Bank shall keep detailed records of all relevant aspects of contributions of Input Data including:

1. the data considered in determining the Input Data contribution, and any data that was excluded;
2. any use of discretion;
3. any input data checks undertaken by the Contributor
4. communications in relation to the Contribution of Input Data between the Submitter and any persons within the Panel Bank performing checks in respect of contributions;
5. the process governing Input Data determination;
6. the names of Submitters and their responsibilities;
7. any communications between the Submitters and other persons, including internal and external traders and brokers, in relation to the determination or Contribution of Input Data.

Records to be kept of internal and external audits shall include the audit brief, the audit report, and a record of actions taken in response to each audit.

## 7 Requirement for Access by a Regulator

The CBF and Panel Banks accept that in order to fulfil their duties in accordance with this Code of Conduct the CMF shall have the supervisory attributions that the law explicitly give to them.

## 8 Requirement to Provide Information to CBF

Each Panel Bank will provide information relating to the Panel Bank's internal oversight and Data Input verification procedures within 30 days of a request by the CBF. CBF and the Panel Bank will sign a Non-Disclosure Agreement based on the Panel Bank requirement.

Annually each Panel Bank shall provide information relating to their exposure to financial instruments that use the Benchmarks as a reference rate, if any. Such information to include the type of financial product activity, and the financial exposure related to that activity.

Each Panel Bank shall fully cooperate with the CBF (and the CMF and Central Bank of Chile) in the auditing and supervision of the provision of the Benchmarks and make available the information and records kept in accordance with this Code of Conduct.

## 9 Audit Provisions

The CBF Oversight Committee may require an external audit of a Panel Bank if dissatisfied with any aspects of its conduct. The audit will be conducted within three months of such a request being made and the Panel Bank will provide all necessary assistance in regards to these enquiries. The cost of such audit shall be at the expense of the Panel Bank, not the CBF.

## 10 Effect

These procedures detailed in this document shall take effect on July 1<sup>st</sup>, 2021.

## 11 Definitions

**Administrator'** means Chilean Benchmark Facility SpA (CBF) incorporated in Chile.

**Approve** means the action undertaken by an Approver of confirming Input Data Submitted by a Submitter as being authorised for Contribution to the CBF.

**Approver** means a natural person employed by the Panel Bank for the purpose of Approving Input Data for contribution to the Administrator.

**Approving** means the process undertaken by a natural person as an Approver.

**Bank Business Day** shall mean a day when banks are open in Chile

**Benchmark** means any index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.

**Benchmarks** means TAB Nominal, TAB Unidad de Fomento (UF) and TADO.

**Calculating Agent System** means the software application provided by CBF for the collection, validation, calculation of Input Data and the publication of the Benchmarks.

**Contribute** means the process undertaken by a Panel Bank of providing Input Data to the CBF.

**Contribution of Input Data** means providing any input data not readily available to the CBF, or to another person for the purposes of passing to the CBF, that is required in connection with the determination of the Benchmarks and is provided for that purpose.

**Contributor** means a Panel Bank that contributes Input Data to the CBF.

**Expert Judgement** means the exercise of discretion by a Panel Bank with respect to the contributions of Input Data (to the CBF for the determination of the Benchmarks), including extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data such as market events or impairment of a buyer or seller's credit quality, and weighting firm bids or offers greater than a particular concluded transaction.

**Front Office** means any department, division, group, or personnel of Submitter or any of its affiliates, whether or not identified as such, that performs, or personnel exercising direct supervisory authority over the performance of, any pricing (excluding price verification for risk management purposes), trading, sales, marketing, advertising, solicitation, structuring, or brokerage activities on behalf of a third party or for proprietary purposes.

**Input Data** means the data in respect of the value of one or more underlying assets, or prices, including estimated prices, quotes, committed quotes or other values, used by the CBF to determine the Benchmarks. The CBF uses complementary data to compute the benchmarks and indices such as volumes of deposits, inflation expectations and reserve requirements.

**Input Data source** means the collection of data that is used by a Submitter to determine their Input Data.

**Panel Bank** shall mean a supervised entity by the Financial Market Commission (*Comisión para el Mercado Financiero de Chile*, CMF), that contributes Input Data to the CBF that meets the criteria for inclusion on the benchmarks panel.

**Regulator** is the Chilean Financial Market Commission (*Comisión para el Mercado Financiero*) (CMF), responsible ongoing supervision of the Chilean financial markets.

**Submit** means the action undertaken by a Submitter of providing Input Data into the Calculation Agent System pending approval.

**Submitter** means a natural person employed by the Panel Bank for the purpose of Submitting Input Data.

**Submitting** means the process undertaken by a natural person as a Submitter.

**The Benchmarks Post Publication Re-Determination Policy** means the CBF policy that outlines a recalculation of the Benchmark(s) due to the reporting of erroneous Input Data or erroneous calculation and publication of the Benchmark(s).

**Transaction data** means observable prices, rates or values representing transactions between unaffiliated counterparties in an active market subject to competitive supply and demand forces.