

30 July 2021

Circular on the Benchmarks Regulation ('BMR') – Information-Gathering Exercise relating to Critical Benchmarks

1.0 Background

Benchmarks play an important role in the determination of the price of many financial instruments and financial contracts as well as the measurement of performance for many investment funds. In order to fulfil their economic role, benchmarks need to be representative of the underlying market or economic reality they intend to measure. Should a benchmark no longer be representative of an underlying market such as interbank offered rates, there is a risk of negative effect on, inter alia, market integrity, the financing of households and businesses in the Union.

In this respect, pursuant to Article 20(1) of the BMR, the Commission shall adopt implementing acts in accordance with the examination procedure referred to in Article 50(2) to establish and review at least every two years a list of benchmarks provided by administrators located within the Union which are critical benchmarks, provided that one of the conditions laid out in Article 20(1) is fulfilled. In this respect, Commission Implementing Regulation (EU) 2019/482 of 22 March 2019 (the 'Implementing Regulation') provides the latest list of critical benchmarks used in financial markets pursuant to the Benchmarks Regulation. According to the Implementing Regulation there are currently five critical benchmarks, namely;

- Euro Interbank Offered Rate (EURIBOR®);
- Euro Overnight Index Average (EONIA®);
- London Interbank Offered Rate (LIBOR®);
- Stockholm Interbank Offered Rate (STIBOR®); and
- Warsaw Interbank Offered Rate (WIBOR®).

2.0 Required Action

For the purpose of assessing the use of critical benchmarks within the local industry, by way of this Circular, the Authority requests all market participants, to complete and return a form setting out details of their critical benchmark exposures, which form can be accessed from this [link](#).

This form, duly completed, is to be submitted via email to benchmarks@mfsa.mt, by not later than Friday, 13 August 2021.

Only entities making use of critical benchmarks as at 30 June 2021 are required to respond to this Circular and NIL returns are not required. Please be aware that entities which do not provide feedback by the timeframe indicated above will be considered as non-users of critical Benchmarks for regulatory purposes.

For ease of reference, may we remind you that in terms of BMR, use of a benchmark includes;

- a) Issuance of a financial instrument which references an index or a combination of indices;
- b) Determination of the amount payable under a financial instrument or a financial contract by referencing an index or a combination of indices;
- c) Being a party to a financial contract which references an index or a combination of indices;
- d) Providing a borrowing rate as defined in point (j) of Article 3 of Directive 2008/48/EC calculated as a spread or mark-up over an index or a combination of indices and that is solely used as a reference in a financial contract to which the creditor is a party; and
- e) Measuring the performance of an investment fund through an index or a combination of indices for the purpose of tracking the return of such index or combination of indices, of defining the asset allocation of a portfolio, or of computing the performance fees.

Contacts

Should you have any queries relating to the Benchmarks Regulation kindly contact the Authority on benchmarks@mfsa.mt.

Any requests for clarification required in connection with the form and the information being requested, should be submitted to the Authority on statistics@mfsa.mt.

We thank you in advance for your cooperation.