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Stibor framework Part 1

Framework for Stibor

Stibor (Stockholm Interbank Offered Rate) is a reference rate that shows an average of the interest rates at which a number of banks active on the Swedish money market ("the Stibor banks") are willing to lend to one another without security at different maturities.

Agreements with variable rates are to a significant extent linked to Stibor. This framework regulates how the setting of Stibor is governed and controlled, the rules that apply to the Stibor banks, how these banks are appointed and how transparency around Stibor is achieved. The Swedish Bankers' Association, which became responsible for Stibor and its framework in March 2013, has established a Stibor Committee and a Secretariat to handle Stibor-related questions. Information about the Committee and the Secretariat is set out in the framework.

The Swedish Bankers' Association has formed a wholly-owned subsidiary, Financial Benchmarks Sweden AB (hereinafter Financial Benchmarks), which is responsible for taking over the Stibor activities of the association. The information for which the Swedish Bankers' Association and its Board of Directors was previously responsible has been taken over by Financial Benchmarks and its Board from xxx 2019. The Stibor Committee becomes a committee within the company. The company also acts as the Stibor secretariat.

Stibor is set in accordance with the following framework, which consists of three parts:

1. Rules for governance and control.
2. Rules for reporting and calculating Stibor.
3. Rules for the Stibor banks' internal governance.

Rules regarding governance and control (1) are decided by the Board of Financial Benchmarks. Decisions about the other sections (2 and 3) are made by the Stibor Committee on behalf of the Board of Financial Benchmarks.

The design of the framework has taken into account "ESMA/EBA Principles for Benchmark-Setting Processes in the EU" (the ESMA/EBA principles).¹

1. Rules for governance and control

Stibor Committee

The Stibor Committee consists of representatives from all Stibor banks as well as at least one independent member. Each Stibor bank is entitled to nominate one member and one deputy member. The nomination is made by the bank's CFO at the Group level or the bank's country manager and shall be submitted to the Stibor Secretariat with a description of the candidate's competence.

The independent member is nominated by the office of Financial Benchmarks.

The Board of Financial Benchmarks appoints members and personal deputies to the Stibor Committee. The Committee appoints a Chair and a Vice Chair. The mandate period for members and deputy members is two years and can be extended.

Appointed members from Stibor banks may be any employee of a Stibor bank who is knowledgeable about the Swedish financial market and in particular the money market/interbank market. This person may not be the person who reports the Stibor interest rates. If the person's employment at the Stibor bank ends, the person automatically leaves the Committee.

An independent member may be any person who is not, or has not been for the past two years, employed or engaged by a Stibor bank and is knowledgeable about the Swedish financial market and the use of Stibor.

The Riksbank, the calculation agent and Financial Benchmarks are entitled to appoint observers to the Committee. These observers have the right to participate in the Committee's meetings.

For members and deputy members on the Committee as well as any observer, information that the Committee handles about individual banks is subject to confidentiality.

The Committee convenes four times a year as well as whenever requested by the Chair, two members, Financial Benchmarks or the Riksbank.

¹ ESMA-EBA Principles for Benchmark-Setting Processes in the EU

A meeting of the Committee is convened by the Chair. The notification and meeting material shall be sent to the members, deputy members and observers no later than one week prior to the meeting. Minutes shall be kept at the meetings. These shall be published on a website determined by Financial Benchmarks no later than three months following the meeting. Following unanimous consent by the members, decisions may be reached by telephone or with the help of electronic communication.

The Stibor Committee is a committee within Financial Benchmarks. Agreements regarding Stibor activities, e.g. with calculation agents, are made by Financial Benchmarks.

Tasks of the Stibor Committee

The Stibor Committee is charged with the following tasks:

- To design and decide on sections 2 and 3 of the framework, i.e. "Rules for reporting and calculating Stibor" and "Rules for the Stibor banks' internal governance".
- To design and decide on additional guidelines for the framework if such a need is considered to exist, e.g. regarding minimum requirements for internal governance and the specific content of the Stibor documentation.
- To follow up on the application of this framework and the reporting of interest rates by the Stibor banks.
- To handle questions regarding Stibor that are referred to the Committee by the Board of Financial Benchmarks, the Riksbank, the calculation agent or a Stibor bank.
- To conduct an annual assessment about whether there is a need to change the calculation of Stibor and, if yes, initiate changes to the framework.
- To guarantee that the process for setting Stibor remains transparent.
- To ensure that the website for Stibor is updated with relevant information and in accordance with this framework.
- To design proposals for agreements with calculation agents for approval by Financial Benchmarks.
- To propose new Stibor banks.
- To issue an objection to the bank if a Stibor bank does not comply with the framework, and if the bank has not rectified the matter within two weeks, report this to the Board of Financial Benchmarks, which thereafter is entitled to make decisions regarding any measures to be taken against the Stibor bank.
- At least half of the members must be present to establish a quorum. Decisions are passed with a 2/3 majority of the present members. However, decisions regarding objections and the reporting of a Stibor bank to the Board of Financial Benchmarks require unanimity among the other banks.
- To present an annual report about how the calculation of Stibor functioned.

- To approve the completed external review and to instruct the parties concerned to rectify any errors identified during the external review.

The Stibor Committee shall disclose the occurrence of conflicts of interest.

The activities of the Stibor Committee shall also in general comply with the ESMA/EBA principles.

The Stibor Committee can appoint working groups to prepare or fulfil some of the tasks set out above.

Tasks of the Stibor banks

A Stibor bank shall report interest rates in accordance with section 2 of this framework and in general follow the rules set out in the framework.

A Stibor bank, via its CEO or another person in the bank's executive management to whom the CEO delegated the task, shall confirm that the bank follows this framework and the ESMA/EBA principles.

Requirements to be a Stibor bank

For a bank to be a Stibor bank the following is required:

- The bank shall have had for at least one year a significant direct or indirect link to Stibor in its operations and have been active as an intermediary or issuer on the Swedish money market.
- The bank has personnel and systems that guarantee the bank can report interest rates every business day.

Decisions to approve Stibor banks, etc.

A bank applies to the Stibor Committee to be approved as a Stibor bank. In its application the bank shall expressly state that it undertakes to comply with this framework for Stibor and decisions made by the Board of Financial Benchmarks and the Stibor Committee.

The Committee shall submit its own statement with the application to the Board of Financial Benchmarks, which decides whether to approve the bank as a Stibor bank.

A Stibor bank which no longer meets the requirements for being a Stibor bank, ceases to be a Stibor bank. Such a decision is to be taken by the Board of Financial Benchmarks upon a proposal from the Stibor Committee.

Control functions

The Riksbank and the Stibor Committee are entitled, upon request, to receive access to information about the Stibor banks' reporting of interest rates, the basis for how these are decided and other information that are of importance for setting Stibor.

The Swedish Financial Supervisory Authority exercises supervision in accordance with its authorisations.

External audits of Stibor activities shall be conducted at Financial Benchmarks, the Stibor banks and the calculation agent at least every other year in accordance with a decision by the Stibor Committee.

Stibor Secretariat

The Stibor Committee shall have access to a secretariat function that is provided by Financial Benchmarks. The Stibor Secretariat shall, under the management of the Committee, be responsible for the administrative management of the tasks of the Committee in accordance with this framework.

The Secretariat shall regularly follow up on compliance with the framework and the ESMA/EBA principles and, if needed, report to the Stibor Committee.

The Secretariat shall receive feedback and complaints regarding Stibor from various stakeholders and forward important feedback to the Committee. The Committee in turn can inform the Swedish Financial Supervisory Authority if it deems this to be necessary. These issues are handled in accordance with a procedure designed by the Secretariat (whistle-blowing mechanism).

The Secretariat shall inform the Swedish Financial Supervisory Authority about its activities and provide the disclosures requested by the authority regarding the carrying out of the activities.

The Stibor Secretariat shall prepare internal rules of procedure that, for example, shall state how communication with the Stibor banks and the calculation agent is kept.

Transparency

The spokesperson for Stibor is the Chair of the Stibor Committee. This person may delegate to the Secretariat or another person the right to make a statement about specific topics.

This framework, the name of the Stibor banks and the members of the Stibor Committee shall be available on a website decided by Financial Benchmarks. The interest rate reported by each Stibor bank shall be published every business day immediately after Stibor is set. The past year's reported interest rates shall also be published. In addition, Stibor for different maturities over the past five years shall also be available. The requirements on storing and providing Stibor and reported interest rates apply starting on the date upon which this framework enters into force.

The Secretariat shall ensure that confirmations from Financial Benchmarks, the Stibor banks and the calculation agent about compliance with this framework and the ESMA/EBA principles are published on a website decided by Financial Benchmarks.

Calculation agents

The Stibor Committee shall design proposals for agreements for a function charged with the task of calculating Stibor for different maturities based on the Stibor banks' reported interest rates and in accordance with section 2, "Rules for reporting and calculating Stibor". Such a calculation agent shall fulfil the following requirements:

- A secure system for reporting interest rates and certificate prices.
- Systems, including back-up systems, which guarantee that the reported interest rates can be received every business day at stated times.
- Systems for the identification of and immediate notification to the affected bank in the event of reporting deviations.
- Be accessible for questions from the person reporting the interest rate (in the event of ambiguities).
- Have systems to calculate Stibor for different maturities in accordance with section 2 of this framework.
- Deliver Stibor interest rates to news vendors at established points of time every business day.
- Store and keep available to the general public time series of Stibor, each Stibor bank's reported interest rates and certificate prices over the past five years starting on the date this framework enters into force.
- When changing calculation agents, be able to transfer all historic data to a new agent in such a manner that the information is still available to the general public.
- Have systems for internal control, record-keeping of communication with the Stibor banks and Financial Benchmarks, publication of corrected errors in Stibor and whistle-blowing.
- Have named individuals who are internally responsible for calculating Stibor.
- The CEO – or another person within executive management to whom the CEO has delegated the task – shall confirm compliance with this framework and the ESMA/EBA principles.

Changes to the framework

Proposals to changes or additions to this framework are prepared by the Stibor Committee, which shall collaborate with the Riksbank on such matters.

Proposed changes shall be published on a website decided by Financial Benchmarks and information about the change shall be submitted to various stakeholders via the calculation agent. The proposed change shall be open for comments for a period of four weeks after publication.

The Swedish Financial Supervisory Authority shall be specifically informed about planned changes to the framework.

Decisions about changes to section 1, "Rules for governance and control", are made by the Board of Financial Benchmarks on the basis of a justified proposal from the Committee.

Decisions about changes to section 2, "Rules for reporting and calculating Stibor", and section 3, "Rules for the Stibor banks' internal governance" are made by the Committee and reported to the Board of Financial Benchmarks at its next meeting.

In the presence of exceptional market conditions that can seriously affect the interbank market, the Committee may also decide on changes to section 1, "Rules for governance and control". Such a decision shall be immediately reported to the Board of Financial Benchmarks for approval.

Section 1 of the framework was approved by the Board of the Swedish Bankers' Association on December 5th, 2012. It has been changed via decisions on December 12th, 2013, on March 12th 2015 and on December 14th, 2018.