06 May, 2020

ISDA/AFME draft response to the European Commission's consultations on draft Delegated Acts, specifying requirements of EU Climate Transition and EU Paris-aligned benchmarks.

Introduction

The International Swaps and Derivatives Association ('ISDA') and the Association for Financial Markets in Europe ('AFME'), hereafter referred to as 'The Associations', would like to take the opportunity to comment on the European Commission's three draft delegated acts for the purpose of specifying requirements resulting from the introduction of Carbon Benchmark requirements under the EU Benchmarks Regulation (BMR):

- Draft Delegated Act (DA) on establishing **minimum standards** for EU Climate Transition Benchmarks (CTBs) and Paris-aligned Benchmarks (PABs) (DA on EU Climate Transition Benchmarks).
- Draft Delegated Act (DA) on minimum content of the explanation on how environmental, social and governance factors are reflected in **the benchmark methodology** (DA on Benchmark Methodology).
- Draft Delegated Act (DA) on the explanation in the **benchmark statement** of how environmental, social and governance factors are reflected in each benchmark provided and published (DA on Benchmark Statement).

From a standard-setting perspective, the Associations welcome the proposed Carbon Benchmark requirements as they include vital elements necessary for creating standard templates while allowing some degree of flexibility for benchmark administrators. An EU standardised climate benchmarks framework would undoubtedly result in a less fragmented landscape on the data provision front for all market participants.

For the purpose of specifying Carbon Benchmark requirements, ISDA and AFME have previously commented on the TEG's interim report (see here). Many concerns raised in our response to the TEG's interim report remain valid. In particular, ISDA and AFME would like to stress that the requirements suggested in the draft DA in relation to ESG disclosures in the benchmark statement and the related Annexes do not fully take into account market practices in relation to maintenance of benchmark statements. In the event that benchmark administrators would not have flexibility to deviate from the suggested template for the benchmark statement, they will have to endure disproportionate costs to apply the suggested template for all benchmarks and families of benchmarks. ISDA and AFME are of the view that the suggested approach would strongly discourage benchmark administrators from providing ESG benchmarks and would therefore run contrary to the objective of the Regulation, which is to mainstream the provisions of ESG benchmarks. In this context, it is important to note that significant channelling of financial resources into sustainable economic activities will only occur if a wide variety of benchmark administrators are incentivised to market EU Climate Transition and EU Paris-aligned Benchmarks.

1. General remarks

In addition to specific comments on the three draft delegated acts (see below), the Associations would like to emphasise a few general concerns of their members in relation to the European Commission's approach to specifying requirements in the relevant Level 2 legislations.

Definition of "ESG objectives"

Article 27.2a of the amended BMR requires that "*For those benchmarks or families of benchmarks that do not pursue ESG objectives, it shall be sufficient for benchmark administrators to clearly state in the benchmark statement that they do not pursue such objectives*." Additionally, article 1.5. of the proposed Delegated Act on Benchmark methodology requires that "*Benchmark administrators that do not pursue ESG objectives should state so using the template set out in the Annex*". Notwithstanding, neither the BMR nor the proposed Delegated Acts set out the minimum conditions for a benchmark to be considered as pursuing ESG objectives. This approach may lead to the creation of benchmarks labelled as ESG with divergent, poor or incidental ESG scorings which do not justify the labelling as ESG. Investors who may consider the ESG label of a benchmark as a standalone factor to make an investment decision could therefore be misled.

The Associations encourage the Commission to set out a clear definition of "ESG objectives" to ensure that all ESG-labelled benchmarks meet a minimum standard of what is considered ESG in addition to the underlying factor disclosures.

Article 13 (Title II) of the BMR and consequently the DA on Benchmark Methodology does not apply to Commodity benchmarks

The Associations note that the draft DA on Benchmark Methodology lists 'Commodity benchmarks' in its Article 1(3)(f). However, Title II of the BMR, with the exception of Article 10 of the BMR, does not apply to commodity benchmarks as specified in Article 19(1) of the BMR. Therefore, we would urge the European Commission to remove Article 1(3)(f) from the final DA on Benchmark Methodology. A wide variety of market participants is working under the assumption that Title II of the BMR does not apply to Commodity benchmarks. This assumption has not been previously challenged in conversations with National Competent Authorities (NCAs) or with the European Securities and Markets Authority (ESMA), albeit having been acknowledged by the TEG in its final Benchmark Report[1] (see page 25, no. 3.3.2.4. of TEG Report).

---

[1] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190930-sustainable-finance-teg-final-report-climate-benchmarks-and-disclosures_en.pdf

Furthermore, market participants are – more broadly – facing ambiguity in relation to the varying definitions applied to commodity benchmarks in the context of EU Climate Benchmarks. The BMR defines commodity benchmarks by referring to the definition of 'commodity' in Commission Regulation No 1257/2006, excluding emission allowances, whereas the TEG report on Climate Benchmarks defines commodities indexes *'as baskets of contracts (futures, options, forwards, etc) whose underlying are commodities'*. Therefore, benchmarks referencing commodity derivatives may be benchmarks according to the TEG report but not under the BMR. ISDA and AFME would like to encourage the European Commission to introduce further clarity with respect to the definitions of commodity benchmarks. It should be further clarified that emission allowances are not covered (see pages 17 – 18 TEG Report)

The suggested template for the DA on Benchmark statement (Annex) could lead to an excessive administrative burden for benchmark administrators.

Article 27 (2a) of the amended BMR provides that *"the benchmark statement shall contain an explanation of how ESG factors are reflected in each benchmark or family of benchmarks provided and published."* At the same time, it stipulates that *"for those benchmarks or families of benchmarks that do not pursue ESG objectives, it shall be sufficient for benchmark administrators to clearly state in the benchmark statement that they do not pursue such objectives."* This regulatory mechanism is not integrated in Article 2 of the draft DA on Benchmark statement although it should be mirrored in the draft text. Essentially, it provides the benchmark administrator with a non-disclosure option . This is recognized by the TEG Report (see page 30, no. 3.4.3 of the TEG Report). The Associations believe that this option should be embedded more clearly in the draft DA text.

Additionally, Article 27 (2a), of the amended BMR stipulates: *"benchmark administrators shall, for <u>each</u> benchmark or, where applicable, each family of benchmarks, with the exception of interest rate and foreign exchange benchmarks, include in their benchmark statement an explanation of <u>how</u> their methodology aligns with the target of carbon emission reductions or attains the objectives of the Paris Agreement."* The TEG Report proposed a relevant disclosure template (see page 74 of the TEG Report). In essence, this provision in the amended BMR and the TEG's suggested template would allow benchmark administrators to state, for example, that the benchmark provided does not measure whether and to what extent it is aligned with emission reduction aims (see template 3 on page 74 of the TEG Report). Benchmark providers of commodity indices may want to make use of this non-disclosure option.

Therefore, the Associations welcome the relevant wording of Annex I, Section 1, which reflects the TEG proposal. However, it is unclear from that template if the benchmark administrator has the option not to measure whether and to what extent the benchmark aligns with the objectives of the Paris Climate Agreement.

- **ESG benchmark administrators will be adversely impacted**

The suggested template (Annex II) and Article 2(1) of the draft DA in relation to the Benchmark statement require administrators to report a full set of various ESG factors exceeding the data points required to reach the specific objectives of a particular ESG benchmark.

This would pose an excessive administrative burden for ESG Benchmark administrators that do not pursue ESG objectives other than or additional to those set by the requirements for CTB / PAB Benchmarks (i.e. only pursue an environmental goal of Carbon Intensity reduction, and no other environmental, social, or governance goal). It should be noted that a single factor benchmark (e.g. environmental) may have a lower ESG overall scoring if other factors are considered in a combined manner. Bbenchmark administrators relying on third party ESG data providers (please also see below) would be effectively required to purchase full ESG data sets instead of more limited and affordable data sets which are required to fulfil the objectives of the benchmark methodology.

Such an administrative burden would discourage ESG benchmark administrators willing to obtain an EU Carbon benchmark designation from providing such a benchmark, amid fulfilling their ESG objectives.

- The costs associated with the purchase of the full data set could lead to a monopolistic situation where significant ESG benchmark administrators, who are also data providers, would be able to afford this additional reporting while medium and small administrators may have to indicate that their benchmark does not pursue ESG objectives (i.e. even where they include ESG filters). If such a monopolistic situation occurs, this could lead to raising costs for (i) ESG products suppliers (funds, insurers, etc), as many of those ESG products rely on ESG benchmarks, and (ii) for end investors.
- Similarly, restricting non-significant benchmark administrators from providing ESG benchmarks could result in a reduction of the diversity of ESG approaches available to investors for instance: benchmarks reflecting health activities, gender equality benchmarks, benchmarks which pursue a local/regional preservation of water, etc.
- It would discourage non-significant benchmarks administrators from including ESG filters in their benchmarks.

Therefore, the Associations encourage the European Commission to confirm that the disclosures of additional ESG factors, beyond the benchmark’s objective and the Carbon-related requirements in the Carbon Benchmark Regulation, should be optional at this stage and thatAnnex II should allow administrators to not disclose information for factors which are not pursued by the benchmark methodology.

Such a flexible approach is crucial for benchmarks which are subject to a high rebalancing frequency, for example benchmarks which pursue additional non-ESG related objectives such as risk premia. For such benchmarks, it is unfeasible to continuously update the related exposures under the benchmark statement.

- **Non-significant, non-ESG benchmark administrators would face additional administrative burdens**

In a similar vein, the proposed requirement for all benchmarks to disclose whether they pursue ESG objectives in the benchmark statement would put an administrative burden on the administrators of non-significant benchmarks which do not pursue ESG objectives (and also do not claim to pursue ESG objectives). In this regard, the Associations would like to reiterate their views expressed in their response to the TEG interim report for Carbon Benchmarks: *"With regard to non-ESG, non-significant benchmarks, investors will continue to have legitimate preferences driven by financial stability, risk management or investment safety considerations that may be prevailing over sustainability objectives. When faced with concrete constraints, they will still need highly adapted or customized benchmarks to reference financial instruments, contracts or funds and it is not always possible to disclose for these benchmarks a long list of available, useable and auditable ESG data on the underlying assets. Creating benchmarks for which ESG data is available, useable and auditable should not be done to the detriment of matching the end investor preferences and principal investment priorities that should remain the priority objective. Also, ESG disclosures (particularly where data sources are limited or verification of the data is required) could translate into additional costs which (a) could make the proposed investment strategy more costly when compared to equivalents in other non-EU markets and (b) the investors may not be ready to support if they have not expressed any particular preference for ESG objectives."*

In relation to the DAs on the benchmark statement and the methodology document, the draft DA on the methodology states that the methodology (Article 1(5)) should clearly state if ESG objectives are or are not pursued. There is also a field covering this in the Annex. For benchmark statements, there is no equivalent in the draft DA, although the Annex does have a yes/no box to tick on whether ESG objectives are pursued. We would encourage the EC to clarify in the draft DA a similar framework to that for the Methodology – i.e. making clear, in line with the Level 1 provisions, that the only requirement for administrators offering non-ESG benchmarks is that they clearly state that the benchmark does not pursue ESG objectives.

- **Family of benchmarks**

The EU BMR allows benchmark administrators to publish benchmark statements for a family of benchmarks (BMR Article 27(1)). However, Annex I to the DA in relation to the benchmark statement suggests that benchmark administrators would be required to disclose the 'Name of the benchmark' under Item 3. Therefore, it appears that administrators would be required to replicate this form of template in the benchmark statement for each ESG benchmark they have in a family, in the event a benchmark administrator creates a new ESG benchmark. We understand it is a common practice to publish benchmark statements for families of benchmarks, setting out the objective or the economic reality the benchmarks intend to measure, whereas the methodology document sets out the more granular details in relation to a benchmark's methodology. Therefore, the Associations would very much welcome a clarification that the form of template suggested in the relevant draft delegated act would also be appropriate for benchmark statements covering families of benchmarks.

In light of the above, it is important for benchmark administrators to have a degree of flexibility to deviate from the suggested template where an administrator has provided a benchmark statement for a family of benchmarks. Otherwise, benchmark administrators would be required to complete the template disclosure for each benchmark statement. This would amount to unnecessary costs and implementation work to update a benchmark statement for a family of benchmarks as soon as a related ESG benchmark is launched. This could in turn discourage administrators from providing ESG benchmarks, contrary to the overarching principle of EU's sustainable finance Action Plan to mainstream ESG finance.

Data on some ESG factors may not be accessible or sufficiently granular

The Associations note that the suggested requirement in the DAs may pose significant challenges to administrators whose required benchmark methodologies rely on data provided by third party entities. The DAs on the benchmark statement and the methodology document seem to suggest that EU benchmark administrators make use of detailed ESG factors that they either acquire from third-party vendors or derive independently. However, in practice, ESG factors may not be accessible, granular or transparent enough for the administrator to be able to disclose them in detail. For example, it is common practice for an administrator to build benchmarks with certain ESG factors based on third-party methodologies. Therefore, a benchmark administrator may be unable to satisfy the requirements suggested in Annex I of DAs for the benchmark statement and the methodology document.

An example of such a benchmark would be an equities-only ESG benchmark whose methodology has a dynamic weighting mechanism that relies on the weight inputs from a third party. The designated weights are selected by the third party based on its own proprietary ESG methodology ranking the various equity components. In the aforementioned example, the administrator can request information from the third party about the specific ESG factors to be considered for equity benchmarks as per the DA / Annexes so that it can ensure compliance. However, the third-party is under no obligation to provide the administrator with the necessary information in line with the Annexes. The third-party may also wish to keep such information proprietary due to commercial sensitivities . In these instances, the Associations are of the view that the administrator should be able to deviate from the form of the disclosure template and/or rely on proportionality to provide only the ESG-related data and information that it reasonably has and can obtain.

The Associations take good note of the EC's awareness of the lack of publicly available non-financial information. As stated in the consultation document in relation to the review of the Non-Financial Reporting Directive (NFRD) '*There is inadequate publicly available information about how non-financial issues, and sustainability issues in* *particular, impact companies, and about how companies themselves impact society and the environment. In particular:*

A. Reported non-financial information is not sufficiently comparable or reliable.
B. Companies do not report all non-financial information that users think is necessary, and many companies report information that users do not think is relevant.
C. Some companies from which investors and other users want non-financial information do not report such information.
D. It is hard for investors and other users to find non-financial information even when it is reported."

Therefore, the Associations support the EC's efforts to close the gap between required data resulting from all relevant sustainable finance legislations (Carbon Benchmarks, Taxonomy, SFRD) but would also urge the EC to allow more flexibility for benchmark administrators until relevant data points become comparable and accessible under affordable cost structures.

Proportionality in relation to ESG disclosures is needed

In addition to the Associations comments in relation to the TEG interim report, we would like to reiterate that requirements for ESG benchmarks should also follow the principle of proportionality manifested in the EU BMR. The direct acquisition and modelling of ESG factors entail significant additional costs and operational set-up and may therefore place non-significant (or non-ESG focused) benchmark administrators at a commercial disadvantage. For indices where an administrator is not the primary user of the ESG factors or determining the weights of the portfolio or ensuing methodology, the requirement to obtain and verify data can be impracticable. We would advocate that, where it is impracticable to obtain data on ESG methodology from a third-party provider, an administrator should be exempted from the requirement to provide quantitative data (e.g. under Items 5 and 6 of the Annex on Methodology and Items 6 and 7 of the Annex on the Benchmark Statement).

Following a similar policy rationale, we would also support that for exclusions based ESG benchmarks, the administrator should be exempted from calculating the aggregated weighted value of the benchmark. For example, an administrator may not calculate the actual weighted carbon emissions for a benchmark that includes only low carbon emitting companies as the underlying. In such a scenario, the administrator should only be required to provide an explanation of the exclusion criteria.

Further clarification in relation to asset class differentiation would be welcomed

Whilst the Associations appreciate the EC's efforts to distinguish between asset classes in the relevant Level 2 legislations (the Level 1 text only carves out interest rate and exchange rates from the requirements), we believe certain aspects would require further clarification. Given the industry practice of using benchmark statements, some benchmark administrators may produce benchmark statements for benchmark families that are not neatly covered by the benchmarks listed in Annex 2 of the relevant draft DAs. We would thus like to ask the European Commission to clarify the treatment of such benchmark families. For example, in a scenario including a multi-asset benchmark comprising two or more asset types (e.g. a benchmark can contain both equity and fixed income instruments), it is unclear how such administrators would comply with the draft DAs. However, we recognise that Annex I Section 6 provides the category of 'other benchmarks'. As such, we would very much welcome a clarification from the European Commission that for a multi-asset benchmark, an administrator would not be required to comply with each set of ESG disclosure factors corresponding to every underlying asset class. We would rather advocate for a proportionate approach, or for the benchmark administrator to consider / comply with the 'other' set of ESG disclosure factors.

Furthermore, the DA regarding the explanation in the benchmark statement of how ESG factors are reflected in each benchmark provided and published, states the following in relation to Credit Default Swaps (CDS): *"Due to their nature and specificities, benchmarks structured on derivative instruments for the transfer of credit risk that refer to price developments of complex structured products, such as credit default swaps, cannot reflect ESG factors."* However, the Associations are of the view that the wording is ambiguous, as it seems to indicate that CDS are-out-of-scope due to their very nature and it does not seem to contemplate that CDS can be actually structured to include consideration of ESG factors, for example, where the reference basket is a basket composed of "green" constituents. In addition, it is not clear if CDS as an asset class are ruled out, and if so, whether a CDS product designed to follow ESG principles would need to comply with the disclosure requirements.

2. **Comments on draft Delegated Act on Minimum Standards for EU CTB / PAB Benchmarks**

Article 5 'Phase-in of Scope 3 GHG emissions data in the benchmark methodology'

The Associations appreciate the EC's decision to phase-in scope 3 emissions. As previously noted, the lack of availability and standardisation of scope 3 data may render such data points difficult to obtain. They may also mislead investors as scope 3 emissions are used as a tool to analyse GHG emissions throughout a supply chain rather than to compare companies' GHG emissions, i.e. higher scope 3 values for company X compared to company Y, does not lead to the conclusion that company X is more polluting and vice versa.

The EC's DA suggests phasing-in scope 3 emissions based on NACE codes, in accordance with Annex I to Delegated Regulation EC No 1893/2006. Therefore, the phase-in of scope 3 emissions would be based on sector identity, following the below timeline:

Date of application: Energy and Mining
Date of application + 2 years: Transportation, Construction, Buildings, Materials and

Industrial sectors)
Date of application + 4 years: all other sectors

Following the phase-in, a benchmark's carbon intensity will significantly increase in year 3 in comparison to the base year as scope 3 emissions for transportation, constructions, building etc. will be added. A similar scenario will occur in year 5 when scope 3 emissions for all other sectors will be added. Preliminary analysis suggests that these jumps can be very significant (more than 25% for some Carbon Benchmarks).

Therefore, the final DA should allow benchmark administrators to recalibrate their indices to take into account these sudden increases of scope 3 emissions due to the phase-in. Unless this is addressed, a wide range of benchmark administrators will collectively fail to accomplish the 7% decarbonisation trajectory requirement. Given the complexities involved, i.e. re-weighting, possible inclusion of other assets, GHG emission calculations etc, the Associations would welcome the provision of further guidance from the EC or ESMA in that regard, to facilitate market participants' compliance with this challenging methodological requirement.

Lastly, we note that some sectors labelled as "High Climate Impact" in the TEG report (e.g. NACE Code D35 "Electricity, gas, steam and air conditioning supply") are currently included among the sectors for which Scope 3 emissions will have to be added only in Phase 3. We would thus recommend to the EC to leave the final phase to only "Low Impact Sectors".

Article 7 'Setting a decarbonisation trajectory'

The Associations note that the suggested 7% decarbonisation trajectory requirement is applicable from the first year after the launch of a benchmark. We believe that this will almost inevitably penalise low-carbon benchmarks launched in early years, which will have to comply with stricter carbon emissions requirement.[2] Please also see the below illustration in this regard:

Carbon Intensity Requirement (tCO2e / EVICm, illustrative example)

Year	Invest. Universe	Climate Transition Benchmark 1	Climate Transition Benchmark 2	Comment
2020	100	70.0	–	Launch year for LC BM1
2021	100	65.1	–	
2022	100	60.5	70.0	Launch year for LC BM2

In order to solve the problem at hand, we would recommend that the EC identifies a common base year (e.g. 2020) from which the decarbonisation trajectory requirements have to be applied for EU Climate Transition and EU Paris-aligned Benchmarks. The self-decarbonisation targets for benchmarks launched after the base year should be

[2] This would not be true only in the case of an investable universe decarbonising more than 7% per year, which we believe is not only extremely unlikely, but would also defeat the purpose of the EU Climate Benchmarks Regulation.

calculated starting from the common base year in the pre-launch history levels of the benchmarks.

Article 14 'Accuracy of the data sources'

Article 14 requires ESG benchmark administrators to ensure that *'data on scope 1,2 and 3 GHG emissions are accurate'* and furthermore *'ensure the consistency, comparability and quality of GHG emissions data'*. The Associations view this requirement as inappropriate given that EU benchmark administrators relying on external data sources have no means to ensure the accuracy of the data provided by third parties. Moreover, they should not be expected to exhibit such a level of control over another company's services. As highlighted in the general remarks, such requirements would unduly penalise benchmark administrators relying on external data providers.

The Associations would recommend that a) benchmark administrators using internal GHG data sources should indeed ensure the accuracy of their own data whereas b) benchmark administrators relying on external data providers should satisfy regulatory requirements by demonstrating that GHG emissions data is subject to a process for selecting external data sources. Such process should take into account the accuracy, consistency, comparability and quality of the received data when selecting external providers but by no means should it require a benchmark administrator to be directly responsible for the accuracy of external data.

3. <u>Comments on draft Delegated Act on Benchmark statement disclosures</u>

As already stated above, the suggested approach would impose significant compliance costs for administrators of non-significant benchmarks, whether they pursue ESG objectives or not, and disincentivise administrators from marketing EU compliant carbon benchmarks.

In addition, the current template suggests that ESG factors *'shall not be disclosed for each constituent of the benchmarks but shall be disclosed at an aggregated weighted average value of the benchmark'*. The Impact Assessment of the DAs states that *'the objective is to streamline and simplify the TEG's approach to provide more clarity on the set of indicators and on the information benchmark administrators are expected to disclose'*.

Therefore, the Associations encourage the EC to confirm whether administrators should be able to only list the factors they use or whether they are expected to reproduce the tables suggested in Annex II. Similarly, given the restricted data access for ESG factors, it would be helpful for market participants to know whether it is permissible to include factors in the methodology without calculating KPIs.

Annex II, Section 4 on Commodity Benchmarks

In the case of commodity price benchmarks, it is unclear how benchmark administrators would be able to identify and measure the degree of exposure of the underlying commodities to social risks and governance risks. In view of the lack of guidance in this respect, the Associations are of the view that disclosure with regard to these two criteria should be made optional at this stage.

4. <u>Comments on draft Delegated Act on Benchmark methodology document disclosures</u>

Article 1 'Explanation on how ESG factors are reflected in the benchmark methodology'

Article 1(2) and Article1(3) require administrators to include information about ESG factors and related information in the template set out in the Annex. The Associations would welcome a clarification from the EC on whether it requires all ESG information to be consolidated within the template format, or alternatively, if the ESG information can be disclosed in various sections of a benchmark's rulebook. If the latter approach is permitted, the EC should also clarify whether the information needs to be repeated in the ESG template.

Annex I

Article 13(1)(d) of the Carbon Benchmarks Level 1 Regulation requires '*an explanation of how the key elements of the methodology laid down in point (a) reflect ESG factors for each benchmark or family of benchmarks, with the exception of interest rate and foreign exchange benchmarks*.' The DAs provide a template for making the required disclosures under Article 13(1)(d). However, we would like to note that the Annex does not include each of the Key Elements as defined in the ESMA December 2018 guidelines, which define the Key Elements for non-significant benchmarks.[3] For example, the currency or other unit of measurement of the benchmark is not included. On this basis, we would greatly appreciate a clarification from the EC that the minimum relevant Key Elements have been included within the template in the Annex.

In a similar vein to the arguments raised in relation to the benchmark statement, the Associations suggest that benchmark administrators only be required to disclose the following under Item 5:

- The administrators should only list the ESG factors they use i.e. it is not necessary to reproduce the entire list of factors in Annex II and explain why the factors not used were not used.

[3] https://urldefense.proofpoint.com/v2/url?u=https-3A__www.esma.europa.eu_sites_default_files_library_esma70-2D145-2D1209-5Fguidelines-5Fon-5Fnon-2Dsignificant-5Fbenchmarks.pdf&d=DwMFaQ&c=euGZstcaTDllvimEN8b7jXrwqOf-v5A_CdpgnVfiiMM&r=2E8hW8Anm9NcBqYZ9w9ijg&m=spPEjSjeBy4z7xmgSA9rHkCQ8whhcHXGS4HZ2W1hW3I&s=xpfIsP5FSp20U6a4rdirGKFtnK1rchcPfHXHbxGdHvU&e=

- Administrators are allowed to provide either quantitative or qualitative explanations of selection, weighting or exclusion in line with their actual approach.
- Administrators are not expected to disclose actual weighted average scores on an ongoing basis in the methodology document.

In relation to Item 6 a) 'Data input', we would welcome a clarification from the EC on how the term 'data input' relates to the defined term 'input data', as specified in BMR Article 11.

In relation to Item 6 b)' Verification of data and guaranteeing the quality of those data', the Associations would like to repeat, as expressed above in relation to Article 14 of the DA specifying the minimum contents, that such a requirement would be inappropriate and penalise benchmark administrators relying on third party data providers.

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 72 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org.

About AFME

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.
Follow us on Twitter @AFME_EU