

THOMSON REUTERS BENCHMARK SERVICES LIMITED

STATEMENT RELATING TO THE IOSCO PRINCIPLES FOR THE WM/REUTERS FINANCIAL BENCHMARKS

FEBRUARY 2018

Thomson Reuters Benchmark Services Limited ("TRBSL") is issuing this statement in relation to the IOSCO Principles for Financial Benchmarks (the "Principles"), which require financial benchmark administrators to certify publicly the extent to which they have implemented the Principles. The Principles envisage that implementation may be proportionate to the size and risks posed by each benchmark, administrator and the relevant benchmark setting process.

TRBSL re-affirms its alignment with these Principles and, in doing so, has taken a proportionate approach where it believes this to be justified in the circumstances. This document summarises the policies, procedures and governance arrangements that TRBSL has in place, where relevant to its implementation of the Principles.

Please note that this statement is TRBSL's own assessment of the Principles and not the assessment undertaken by IOSCO that is referred to in the Financial Stability Board (the "FSB") Foreign Exchange Benchmarks Consultative Document published on 15 July 2014.

Principle 1: Overall Responsibility of the Administrator

TRBSL is the administrator of the WM/Reuters spot, forward and non-deliverable foreign exchange benchmark rates (collectively, the "Benchmarks" and each a "Benchmark"). As the administrator of the Benchmarks, TRBSL has primary responsibility for all aspects of the Benchmark determination process, including the development, determination, and distribution of the Benchmark, ensuring appropriate transparency and establishing credible and transparent governance, oversight, business continuity, and accountability procedures. This is stated in TRBSL's publicly available methodology document (the "Methodology"), which is available on its website at financial.thomsonreuters.com/benchmarks.

Thomson Reuters has established a Benchmark Oversight Committee (the "Oversight Committee") to perform oversight over the Benchmarks and TRBSL in its role as Benchmark administrator. Please see Principle 5 below for further information on the Oversight Committee.

TRBSL has internal controls in place that are designed to provide for timely distribution of the Benchmarks. As specified in the Methodology, TRBSL aims to publish each Benchmark within 30 minutes of the fix time for that Benchmark.

Principle 2: Oversight of Third Parties

TRBSL does not outsource any activities relating to the Benchmark administration process. It does, however, source trade, order, and quote data from certain third party platform operators (Reuters Limited ("Reuters"), EBS, and, in certain limited circumstances, Currenex, Inc. ("Currenex")) pursuant to licensing agreements.

Nevertheless, as a matter of good practice, TRBSL has written agreements setting out the roles and obligations of each platform operator. TRBSL also monitors compliance with these agreements and conducts due diligence on each of its platform operators in accordance with its Due Diligence Policy.

Principle 3: Conflicts of Interest for Administrators

TRBSL has also implemented its own Conflicts of Interest Policy which sets out how TRBSL identifies, discloses, manages, mitigates and avoids actual or potential conflicts of interest. This policy is tailored to TRBSL's role as administrator of the Benchmarks. TRBSL has also prepared a Conflicts of Interest Disclosure Document. That

document describes actual or potential conflicts of interest that may arise in connection with the offering of the Benchmarks.

Principle 4: Control Framework for Administrators

TRBSL has a control framework, which includes:

- (a) An Oversight Committee with responsibility for oversight of the Benchmarks and TRBSL's role as administrator of the Benchmarks. Please see *Principle 5* for more information;
- (b) The Methodology, which sets out, amongst other things, the parameters for any exercise of judgement by Thomson Reuters employees;
- (c) A Conflicts of Interest Policy, which sets out TRBSL's processes for identifying, managing, mitigating and avoiding conflicts of interest;
- (d) A Due Diligence Policy, which sets out TRBSL's processes for conducting due diligence on the third party platform operators from which TRBSL sources data;
- (e) A Price Challenge and Complaints Handling Policy, which sets out TRBSL's processes for handling price challenges and complaints;
- (f) An Operational Risk Framework, which sets out how operational risks are identified, managed and monitored;
- (g) A Controls Matrix which lists the material controls performed for each Benchmark on a daily, weekly, monthly and ad hoc basis;
- (h) A Standard of Conduct, which contains minimum standards that apply to all TRBSL entities, including in relation to conflicts of interest;
- (i) A whistleblowing policy;
- (j) A training programme for Thomson Reuters employees, including TRBSL specific training to ensure that employees have sufficient Benchmark related expertise and corporate training on AML, Ethics and BCP; and
- (k) Regular reviews by TRBSL Corporate Audit team, including on-site audits.

As TRBSL does not have any submitters, it has not implemented the measures set out in *Principle 4* that relate to submitters.

Principle 5: Internal Oversight

TRBSL has established an Oversight Committee. The Oversight Committee Charter, which lists the responsibilities of the Oversight Committee and its current members, is available here: financial.thomsonreuters.com/benchmarks.

The Oversight Committee comprises members selected on the basis of their experience, knowledge and independence from the day to day management of the Benchmarks. The Oversight Committee Charter permits the Oversight Committee to appoint internal or external technical advisers as appropriate.

Members of the Oversight Committee are appointed by TRBSL. As the Benchmark does not have submitters, the Oversight Committee's role does not encompass the submitter specific provisions of Principle 5.

Principle 6: Benchmark Design

The Methodology describes the key features of the Benchmark design, including how it seeks to achieve an accurate and reliable representation of the interest it seeks to measure and eliminate factors that might result in a distortion of the price, rate, index or value of the Benchmark.

On the basis of publicly available volume data produced by Reuters and EBS, TRBSL has determined that Thomson Reuters and EBS are currently the trading platforms with the greatest liquidity for the currencies for which TRBSL uses their data. To determine whether this remains the case, TRBSL internal currency review group conducts regular (as a minimum, annual) reviews of the data sources.

TRBSL also conducts a due diligence process with each of its third party data providers, which includes discussions on their controls, processes and procedures to address any potential unethical trading behaviour.

Principle 7: Data Sufficiency

The trade currency Benchmarks are calculated primarily by reference to trades executed by parties on an arm's length basis. TRBSL's validation process requires a minimum number of observable transactions to be captured before they may be used as data in the calculation of the Benchmarks. TRBSL also captures order information for use in the event that insufficient observable transactions are captured. TRBSL does not rely on a solicitation process and the parties using the platforms do not provide the data to TRBSL specifically for the purpose of influencing the benchmark determination. Instead, they use these platforms in their ordinary course of business. For non-trade currencies, TRBSL sources indicative quote rates. Please refer to the Methodology for more information on how the Benchmark is calculated for both trade currencies and non-trade currencies.

As stated in the Methodology, TRBSL recognises that to enable the publication of a meaningful Benchmark, a market in each currency pair represented by that Benchmark must genuinely exist and that market must be active. However, the economic realities of each applicable currency market will dictate the relative meaning of what "active" means as market liquidity varies greatly from a major liquid (e.g. trade) currency to an extremely illiquid (e.g. quote) exotic currency and may also vary depending on the time of day. Accordingly, TRBSL, in certain limited circumstances, defines an active market as one with a single source, although this situation is generally limited to quote currencies. As stated in the Methodology, TRBSL can provide a list of these currencies to its subscribers on request.

Principle 8: Hierarchy of Data Inputs.

The Methodology describes the order of hierarchy that is applied for alternative data sources and the parameters for the exercise of any judgement by Thomson Reuters personnel.

Please refer to sections 2.3, 2.4, 3.3, 3.4, 4.3 and 4.4 of the Methodology for more information.

Principle 9: Transparency of Benchmark Determinations

As TRBSL currently offers 155 spot fix Benchmarks which it sets either half hourly (trade currency Benchmarks) or hourly (non-trade currency Benchmarks) between the hours of 6am Hong Kong time on Monday to 10pm UK time on Friday, it is not operationally possible for TRBSL to publish a description of the Benchmark calculation with each Benchmark. Instead, Thomson Reuters Methodology provides, in TRBSL's view, sufficient information on active markets, economic realities, data types and the parameters for any judgement based decisions to be made by Thomson Reuters employees, to facilitate an understanding of how the Benchmarks are determined. In addition, if it is necessary for TRBSL to use "quote" data instead of trade rates for the trade currencies, TRBSL, as standard practice, communicates this to clients via email to inform them. The fact that TRBSL may be required to use quote rates in the absence of trade rates is also highlighted upfront in the Methodology. TRBSL is also happy to respond to any questions that its subscribers raise on a particular Benchmark.

Principle 10: Periodic Review

TRBSL has procedures in place to review the applicable market factors (including market conditions and structural changes) relating to each Benchmark to ascertain whether it would be appropriate to make any changes to the Methodology. Any potential changes are reviewed by the Oversight Committee. If the proposed change is material, the Oversight Committee makes a recommendation to the Board, with final approval vesting in the Board. If any changes are proposed that may have a material impact on subscribers, they are communicated to subscribers, together with the underlying rationale, in advance.

These reviews include consideration of whether certain underlying conditions in the formulation of the Benchmark remain appropriate and, in certain circumstances, may lead to the cessation of a particular Benchmark. TRBSL has implemented a Cessation of Rates Policy which sets out the circumstances in which any such cessation may arise and its applicable processes. A copy is available here: financial.thomsonreuters.com/benchmarks.

Principle 11: Content of the Methodology

Thomson Reuters Methodology is publicly available on Thomson Reuters website at financial.thomsonreuters.com/benchmarks. TRBSL conducts periodic reviews of its Methodology and has, as part of its work to implement the Principles, made enhancements to its Methodology document which are focused on increasing transparency for its Benchmark subscribers. These enhancements have been reviewed by the Oversight Committee and approved by the board. Accordingly, TRBSL view is that the Methodology document published on its website contains sufficient detail to allow subscribers to understand how the Benchmarks are derived and to assess their representativeness, its relevance to stakeholders and its appropriateness as a reference.

Please note that the FSB released an FX Benchmarks Consultative Document on 15 July, which contained certain proposed recommendations relating to the Methodology and on which the FSB is seeking industry feedback. The final report was published in September 2014 containing four recommendations which specifically impacted TRBSL, and two of these recommendations have been implemented with two implemented and one still in progress as of July 2016.

As TRBSL does not have any submitters, its Methodology does not include criteria for including and excluding submitters.

Principle 12: Changes to the Methodology

TRBSL has a formal process for making changes to its Methodology. The Oversight Committee has responsibility for reviewing and overseeing any proposed material changes. If the Oversight Committee believes as a result of any such review that material changes are required, it will then make a recommendation to the Board, with final approval vesting with the Board. This process is set out in the Oversight Committee Charter, a copy of which is available here: financial.thomsonreuters.com/benchmarks.

If, following a review by the Oversight Committee and approval by the TRBSL Board, a material change is made to the Methodology; TRBSL would publish the new Methodology document to its website at financial.thomsonreuters.com/benchmarks. In these circumstances, TRBSL endeavours to consult with stakeholders and to provide them with advance notice of any proposed changes as set out in its Changes to the Methodology Policy.

Principle 13: Transition

TRBSL has implemented a Cessation of Rates Policy, which is available here: financial.thomsonreuters.com/benchmarks.

TRBSL highlights to its subscribers in the Methodology that they should plan for possible changes to the Benchmarks or the cessation of a particular Benchmark and that they should ensure that any contracts or other financial instruments that reference a Benchmark contain robust contingency provisions in the event of material changes to or cessation of that Benchmark.

Principle 14: Submitter Code of Conduct

This Principle does not apply to TRBSL as TRBSL does not have any submitters.

Principle 15: Internal Controls over Data Collection

As stated above, TRBSL sources trade, order and quote data from certain third party platform operators. TRBSL has licencing agreements in place with each platform operator and conducts due diligence on each platform operator. To formalise this process, TRBSL has established a Due Diligence Policy.

TRBSL has technology based internal controls over its data collection and transmission processes. TRBSL has implemented access controls to limit access to the Thomson Reuters applications and captured data to Thomson Reuters authorised personnel. To help ensure data integrity, TRBSL also sources corroborating trade and order data from alternative platform operators in respect of certain trade currency pairs.

Principle 16: Complaints Procedures

TRBSL has implemented and published a Price Challenge and Complaints Handling Policy, which sets out its procedures for handling price challenges and complaints. A copy of the policy is available here:

financial.thomsonreuters.com/benchmarks.

Principle 17: Audits

TRBSL is subject to review by its Corporate Audit teams, which includes on-site audits. Internal audits are performed on a periodic basis and that basis is dependent on the risk associated with the Benchmarks.

Principle 18: Audit Trail

TRBSL retains appropriate data and records associated with the calculation of the Benchmarks, including market data collected from platform operators; exercise of expert judgement; deviations from standard procedures; identity of each person involved in the determination and any queries and responses to data input or published Benchmarks. . TRBSL retains written records relating to the Benchmarks for 5 years.

Principle 19: Cooperation with Regulatory Authorities

TRBSL remains committed to working with relevant regulators as appropriate and has worked extensively with the IOSCO review team as part of the IOSCO review team's industry wide review on the status of implementation of the Principles.

Should you have any questions on this statement, please address them to wmreuters.sales@thomsonreuters.com.

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