

Submission Date

29/03/2023

ESMA_QA_726

Status: Answer Published

Additional Information

Level 1 Regulation

Benchmarks Regulation (BMR) - Regulation 2016/1011

Topic

Benchmarks Regulation

Subject Matter

Family of benchmarks (ESMA70-145-114 Q&A_5.1)

Question

How can benchmarks be grouped into a family? Can critical, significant and non-significant benchmarks be part of the same family of benchmarks?

29-09-2017

Original language

The BMR allows administrators to group benchmarks into families when they publish the benchmark statement (as per Article 27(1) BMR) and, provided that the benchmarks are based on a similar methodology, when they publish the key elements of the benchmarks' methodology (as per Article 13(1) BMR). Furthermore, administrators may also develop a single code of conduct for a family of benchmarks (as per Article 15(3) BMR), and third country benchmarks may be grouped into families when an administrator or any other supervised entity located in the Union applies to the relevant competent authority for their endorsement (as per Article 33(1) BMR).

Art. 3(1)(4) BMR states that benchmarks by the same administrator may be grouped into a family:

- (i) if they are determined from input data of the same nature, and
- (ii) if this input data provides specific measures of the same or similar market or economic reality.

In ESMA's view, examples of input data of the same nature can be:

- input data of identical type (e.g. reported transactions, quoted prices, committed quotes or expert judgement). Consequently, the proportionality concept of grouping benchmarks into families would not apply to an administrator's benchmarks if one of them is based on expert judgement and another on raw transaction data;
- input data qualifying the benchmark as a particular type of benchmark as defined by the BMR (interest rate or commodity benchmark).

Examples of input data providing specific measures of the same or similar market or economic reality can be:

- input data relating to markets trading comparable assets (e.g. precious metals or other specific types of commodities, equity shares of the same sector or the same geographical region, sovereign bonds, cash deposits);

- input data measuring different aspects of the same economic reality (e.g. household income, GDP, or rent).

Finally, ESMA considers that benchmarks of all levels of reference values (i.e. critical, significant and non-significant) can be grouped into the same family because a benchmark's degree of use is not part of any of the elements of Article 3(1)(4) of the BMR defining a family of benchmarks.