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Additional Information

Level 1 Regulation

Benchmarks Regulation (BMR) - Regulation 2016/1011

Topic

Third-Country Regimes

Subject Matter

IOSCO Principles assessment of compliance (ESMA70-145-114_Q&A 7.5)

Question

What information may ESMA rely on in an external audit report of compliance to IOSCO Principles under Article 32(2) of BMR?

31-03-2023

Original language

Article 32(2) of BMR states that in order to assess compliance with the IOSCO principles for financial benchmarks or the IOSCO principles for Oil Price Reporting Agencies (PRAs), as applicable, ESMA may rely on an assessment by an independent external auditor.

ESMA considers that the BMR does not require ESMA to rely on this assessment by an independent external auditor, rather ESMA may use the assessment as a piece of evidence.

The remit of the auditors in an IOSCO principles external audit may vary. The following is a non-exhaustive list of the elements that could be included in such an audit report:

- The level of assurance provided. For example, a Limited Assurance external audit report provides a more restricted view of a firm's compliance and is likely to provide less evidence of compliance under Article 32(2) and the IOSCO principles, whereas a Reasonable Assurance audit report will provide a greater level of evidence.
- The time period covered by the IOSCO principles audit.
- Whether the administrator is complying with all IOSCO Principles or just a limited number of principles.
- Whether the audit report covers the operating effectiveness of the principles for example in relation to the systems and controls in place.