
PROCEDURE OF REVIEW AND CHANGE OF INTEREST RATE BENCHMARKS METHODS*

* Excerpt from the Procedure of Review and Change of Interest Rate Benchmarks Methods, adopted by Board Resolution No. 80/2020, dated 29th October 2020, as amended

Translation according to legal condition as of 13th April 2023. Revised on 25th August 2023.

GENERAL INFORMATION AND SUBJECT MATTER OF THE PROCEDURE

The procedure relates to the Methods of interest rate benchmarks provided by the Administrator (hereinafter "benchmarks"), including the critical benchmark within the meaning of the Benchmarks Regulation (WIBOR).

If an index or a benchmark belongs to the family of benchmarks within the meaning of the Benchmarks Regulation, the provisions of the Procedure shall apply accordingly, taking into account the key elements of the method and the subject scope of the procedure launched.

The procedure describes the processes for:

- cyclical and extraordinary review of benchmarks' and indices' Methods,
- changing the Methods and public consultations on changes to the Method of a particular benchmark or index,
- review and change of the definition of a material change Method of a benchmark or family of benchmarks,
- review and change regarding the Key Elements of the Method and materiality criteria or parameters for an index or a benchmark,
- cessation of the provision of an benchmark or index, including cessation of the provision of a critical benchmark.

The procedure does not include specific procedures as regards a given index or benchmark, if the procedure is an element of the provision method for the index or benchmark in question, including replacement procedures for elements of the Method.

Unless otherwise stipulated in the Procedure, the Management Board and the Oversight Committee shall make decisions collegially in accordance with the procedure provided for in the bylaws of the respective body.

The Oversight Committee oversees and evaluates decisions of the Management Board, makes recommendations on procedures, including foremost the decision to accept the results of Method reviews and consider them completed.

PROCEDURE FOR CYCLICAL REVIEW AND EXTRAORDINARY REVIEW OF THE METHOD

The Oversight Committee, with the support of the Management Board, shall review the Method of an index or benchmark at least once a year, in accordance with the approved cyclical review plan, whereby, if the first review of the Method is made, it shall be made no earlier than after the end of the calendar year in which the Administrator began to develop the index or benchmark in question, assuming full implementation of the Method and the release of the Rules or Benchmark Statement.

Results of the review are adopted by the Management Board and presented to the Oversight Committee in the form of the review report.

After reviewing the completed report and the Board's recommendations contained therein, the Oversight Committee may recommend to the Administrator:

- to keep the current Method,
- to carry out the procedure for changing the Method in connection with the proposal as to the change of the Method,
- to conduct a procedure of review and change of the Definition of Material Change in Method, Key Elements of the Method, or materiality criteria or parameters.

The Oversight Committee decides on the approval of the results of the Method review, as presented in the report of the Management Board, taking into account the recommendations.

The initiation by the Management Board of an extraordinary review of the Method, not provided for in the adopted cyclical review plan, is mandatory upon any of the following circumstances:

- change in the number of Data Contributors for the purpose of determining an benchmark or family of benchmarks;
- termination of the permitted period of application of the Temporary Method Change without simultaneous initiation of the procedure for cessation of provision (in the case of Reference Rates);
- request by a minimum of half of the Data Contributors to the Administrator for review.

PROCEDURE FOR INTRODUCTION, REVIEW AND CHANGE OF THE MATERIALITY CRITERIA OR PARAMETERS

The Management Board for each index or benchmark shall determine materiality criteria or parameters to assess the economic consequences of a proposed change in the Method of Provision in the event of a change in the Key Element of the Method.

The materiality criteria or parameters for a given Reference Benchmark are defined in each case in its Regulations.

The Oversight Committee reviews the materiality criteria for all Benchmarks at least once every two years.

PROCEDURE FOR THE INTRODUCTION, REVIEW AND CHANGE OF THE DEFINITION OF MATERIAL CHANGE

The Management Board, for each index or benchmark, determines the definition of Material Change in Method, which is approved by the Oversight Committee.

The definition of Material Change of Method is specified in the Regulations of an index or benchmark.

In order to determine the definition of a Material Method Change for an index and benchmark, the Management Board shall determine the Key Method Elements and materiality criteria or parameters for each index and benchmark.

The Oversight Committee reviews the definition of Material Change in Method no less frequently than every two years.

PROCEDURE FOR REVIEW AND CHANGE OF KEY ELEMENTS OF THE METHOD

The Management Board for each index or benchmark, determines Key Elements of the Method, which is approved by the Oversight Committee.

The Key Elements of the Method are specified in the Regulations of the index or benchmark.

The Oversight Committee reviews the Key Elements of the Method at least every two years.

METHOD CHANGE PROCEDURE

The procedure applies to the introduction of a Material Change and a Method change that is not material.

A change in the Method of an index or a benchmark may be proposed by:

- the Management Board,
- the Oversight Committee,
- the Polish Financial Supervision Authority,
- Other public bodies and public administration offices,
- the provider of data to a particular index or benchmark.

The proposal to change the Method should include a detailed justification for the proposed change. A proposal that does not meet this requirement shall not be presented to the Oversight Committee.

The Oversight Committee may recommend:

- take further action under this Method Change Procedure, including conducting an assessment, or
- rejection of the change proposal.

It is the responsibility of the Management Board to carry out the classification of a proposed change in the Method of an index or benchmark as a Material Change in Method or a change in Method that is not a Material Change.

Classification of a change in Method as a Material Change, is made in accordance with the definition of Material Change in Method applicable to the index or benchmark.

In the event that the Administrator is obliged to change the Method, Code of Conduct, or other rules for the critical benchmark by the FSC referred to in Article 23.6(d) of the Benchmarks Regulation, the Management Board shall prepare the report referred to [...] and implement the change in the Method of the critical benchmark, and in the event that it is not possible to adjust operational activities to this change, the procedure for cessation the provision of the critical benchmark shall be triggered. In the event of such a change, public consultation on the implementation of the change shall not be triggered.

Procedure for change of Method that is not a Material Change

In the case of method change proposals classified as a non-Major Method Change, the Management Board, taking into account the recommendation of the Oversight Committee, shall decide whether to implement or reject the non-Major Method Change, together with the timing of its entry into force.

Procedure for Material Change of the Method

In the case of proposals for changes in the method classified as a Material Change of the Method, the Oversight Committee, makes a recommendation as to:

- to reject the proposed change to the Method on the grounds indicated;
- conduct public consultations on the proposed Material Change, with adjustments to the extent recommended by the Oversight Committee, or
- To conduct public consultations on the proposed Material Change.

If a recommendation is received from the Oversight Committee to continue the Procedure, the Management Board is required to conduct a consultation process.

PUBLIC CONSULTATION PROCESS

The Management Board adopts a consultation document describing the proposed Material Change in Method, along with the rationale for its implementation, and the results of the processes used to

verify the materiality of the change in Method, based on the materiality criteria or parameters set for the index or benchmark in question.

The Management Board is responsible for ensuring that the consultation document is published on the website, forwarded to external stakeholders, and collecting responses.

A summary of the public consultation process should be within a maximum of 4 weeks from the date of completion of the consultation, and if this deadline is waived, the Board shall provide information in this regard to the Oversight Committee.

External stakeholders primarily include:

- the Data Contributors,
- the Users of the index or benchmark, including, first and foremost, users of the index or benchmark to which the change under consideration relates under the licence agreement,
- industry associations,
- the National Bank of Poland.
- public authorities and public administration.

An 8-week comment period is adopted as the standard duration of one round of public consultations on a Material Method Change.

The duration of the round of public consultations may be shortened by the Management Board, upon approval of the shortened period by the Oversight Committee, in case of legitimate reasons.

The Management Board shall decide whether to adopt or abandon a Material Method Change after the Oversight Committee has approved the decision.

In the event of a divergence of positions on the Board's decision and the approval of the Oversight Committee mentioned above, the Board shall conduct a second round of public consultation.

The duration of the second round of public consultations and may be shortened only with the approval of the Oversight Committee.

After summarizing the results of the second round of public consultations, the Management Board shall make a decision on whether to adopt or abandon a Material Change in Method only subject to the Oversight Committee's approval of the decision.

VALIDATION OF THE METHOD OF THE CRITICAL BENCHMARK

The Administrator shall validate the Method of the critical benchmark at least every two years, the purpose of which is to assess the ability of each critical benchmark it provides to measure a given market or economic realities. The validation is conducted as part of the Method review procedure. The Management Board may change the date or procedure of the validation subject to approval by the Oversight Committee.

PROCEDURE OF CESSATION OF BENCHMARK PROVISION

The Management Board may decide to carry out the Procedure of Cessation of Benchmark Provision, in particular, in the event of the occurrence of one of the following reasons:

- the number of Data Contributors fell below the minimum number provided for in the Method of the given Benchmark,

- a change in economic reality, which the Benchmark aimed to measure,
- the permissible 6-month period of the Temporary Change of Method has ended and the determination of the Index under the rules of Regulations has not been reinstated,
- The administrator did not obtain the relevant authorization within the timeframe required by the Benchmarks Regulation,
- for reasons beyond the Administrator's control, it is not possible to provide an index or benchmark in a manner that complies with the provisions of the Benchmarks Regulation and its implementing acts,
- The KNF revoked the Administrator's authorization or registration.

For the initiation of the Procedure of Cessation of Benchmark Provision due to a change in economic reality, the measurement of which was aimed at, the Management Board may recommend public consultations related to the Method Change Procedure.

Based on the results of the consultation, the Management Board submits a proposal to cease the provision of the Index. If the Oversight Committee decides to cease the provision of an index or an benchmark that is not a critical benchmark, the Oversight Committee shall approve the date of cessation.

CESSATION OF THE CRITICAL BENCHMARK PROVISION

The decision on the intention to cease provision of the critical benchmark shall be made taking into account the provisions of Articles 21 and 23 of the Benchmarks Regulation.

If a decision is made to cease the provision of the critical benchmark, the Management Board, upon approval of the Oversight Committee, shall submit to the KNF the notification referred to in Article 21(1)(a) including the assessment referred to in Article 21(1)(b) or the assessment referred to in Article 23(3) of the Benchmarks Regulation.

Upon the consultation stage with the KNF, taking into account the periods of mandatory administration or contribution of data, the Management Board, taking into account the opinion of the Oversight Committee, shall determine the date of cessation of the critical benchmark and make it public.

REVIEWS AND UPDATES

Amendments to this Procedure are made by the Management Board and approved by the Oversight Committee.