Thomson Reuters welcomes the opportunity to respond to this Consultation Paper. As the consultation document notes, Benchmarks are critical to the pricing of many financial instruments and commercial and non-commercial contracts, and are a fundamental part of the global financial system. The use of a benchmark that is not robust and subject to the risk of manipulation may harm investors, markets and the wider economy. Thomson Reuters welcomes and supports measures to bring benchmarks used in financial instruments and financial contracts into the wider regulatory framework. Market participants around the world must have confidence that these Benchmarks are calculated accurately and reliably and that there is an effective governance and scrutiny regime for contributors that seeks to ensure that inputs are reflective of market conditions.

Thomson Reuters is currently authorised by the Financial Conduct Authority ("FCA") to perform the benchmark administration function. Thomson Reuters also perform administration, calculation and distribution functions for a large number of benchmarks globally.

We supported the FCA's efforts to rebuild confidence in LIBOR by developing and successfully implementing the first model for benchmark regulation. We currently administer the LBMA Silver Price and the WM/Reuters 4pm London Closing Spot Rates, two of the FCA's eight specified benchmarks.

Thomson Reuters has a strong relationship with regulators and central banks around the world that are looking to develop and introduce their own regulatory regimes for financial benchmarks. In addition to Europe, we anticipate that we will also be authorised for the administration and calculation of benchmarks in many other territories, including Singapore and Canada in the near future. We are committed supporters of the co-ordinated, consistent and proportionate regulation of benchmarks. In particular we are heartened that the CFR has chosen to model its proposals on the IOSCO principles as we believe these are an excellent model for building harmonious benchmark supervision regimes and administration frameworks, to the benefit of users globally.

We are at an important juncture in time and it is essential that the regulation that is implemented is fit for purpose and helps in restoring confidence in benchmarks and the wider financial markets. Thomson Reuters agree with the underlying principles of transparency and consumer protection that has guided CFR in drafting these proposals.

1. Do you have any comment on the proposed definition and scope of significant financial benchmarks?

We agree with the proposition that only significant financial benchmarks should be subjected to regulation, and strongly support the points made in the consultation report regarding proportionality.

We would further observe that the problems observed (so far) with benchmark manipulation have centred on benchmarks where there is an incentive to indulge in manipulation, either to profit from positions previously constructed in instruments that reference the benchmark or because it may be possible to move the benchmark in a manner that is favourable with regards to client orders or other obligations. These are usually, but not always, important widely used benchmarks, but there may be smaller specialist benchmarks where these opportunities exist in niche markets.

2. Do you have a view on whether major equity indices such as the ASX200 should be subject to regulation as significant benchmarks?

We note that regulated markets do operate with rulebooks which should make it more difficult to manipulate benchmark contributions, but there is still a risk. Therefore, we recommend that significant benchmarks, such as the ASX200, should not be excluded from regulation solely on the basis that contribution data comes from regulated markets.

Therefore we would suggest that major equity indices such as the ASX200 should be subject to regulation as significant benchmarks.

3. Are there any other financial benchmarks that you consider should be subject to regulation as significant benchmarks?

With regard solely to benchmarks measuring the Australian market, no.

4. Do you have any comment on the proposed mechanism for designating the scope of regulation?

We believe that the *list-only* option provides the market with the greatest level of certainty. We would support this over alternative approaches, such as attempting to define criteria for what constitutes a significant benchmark and then classify (or require administrators or users to classify) the benchmarks in a market as significant or not significant. This approach has worked in the UK, where the authorities were able to expand the perimeter of regulation to a further seven benchmarks in addition to LIBOR.
That said, if it believes that it may later be necessary to bring further benchmarks within scope of regulation, we would urge the CFR to ensure that any regulation is framed with this in mind, rather than designing a regulatory regime with specific benchmarks in mind and then later imposing this framework on benchmarks that may have different qualities, or characteristics of use.

5. Which means of imposing the IOSCO Principles as a requirement of benchmark administration would you favour among the options identified, and why?

We would favour providing ASIC with a rule-making power to require compliance with the IOSCO Principles and publication of an independent audit review of compliance every two years.

The reason for this is that Thomson Reuters as a global Benchmark administrator has already committed to this, and we believe that the overwhelming majority of other benchmark administrators have made similar commitments. Further, we would support any initiative that leads to greater coalescence around the IOSCO principles for financial benchmarks as the single leading set of standards for benchmark administration, which would be an effect of ASIC being provided with rule making powers and mandating publication of an independent audit review of compliance with the IOSCO principles every two years.

It would also represent a beneficial outcome for end users. There would be a significant cost for benchmark administrators in obtaining and maintaining an Australian financial services licence, and this cost might have to be passed on to end users. It is not clear to us that administrators having an AFSL represent a better outcome for users than administrators being audited for IOSCO principle compliance.

6. Is there another option you prefer?

As stated above, we believe that the IOSCO principles represent the gold standard for benchmark administration, and as all major financial regulators are committed to implementing the principles as part of their membership of IOSCO, mandating independently assured compliance with the principles is the best approach.

7. Among the options presented, which option do you prefer for regulating benchmark submission, and why?

We consider that direct regulation of submitters to significant benchmarks is the only option that works in practice.

Administrators cannot regulate submitters as they have no statutory power to sanction them. Except in cases where benchmark submission can be compelled (currently 8 benchmarks in the UK, although the only benchmark in the UK that has submitters is LIBOR, and shortly, critical benchmarks in the EU) benchmark submission is an entirely voluntary activity, as noted in paragraph 5.2.2 of the consultation document. The only sanction an administrator has over voluntary submitters is to

remove them from the panel. In practice - in Thomson Reuters' experience – this sanction does not act as an effective deterrent. Benchmark submitters are either content as a group with the administrative framework and specifically the code of conduct, or resign en masse as a new benchmark framework and code of conduct is proposed, leading to the discontinuation of the benchmark, which is not a good outcome for stakeholders, often including the submitters themselves.

8. Do you consider that benchmark administrators would be able to effectively regulate submitters via a Submitter Code of Conduct?

We believe that benchmark administrators can formulate and implement appropriate administration structures and regimes. Thomson Reuters has done this in many territories and across asset classes and is comfortable doing this alone, under direct supervision as in the UK for the LBMA Silver Price and WM/Reuters benchmarks, and in other territories where regulators and authorities take varying degrees of interest that currently fall short of full regulation.

However, as we note above, the only effective method we can conceive for the regulation of submitters to a significant benchmark is for a regulator or other authority to assume responsibility for this.

9. Do you agree that it is appropriate to develop a reserve power to compel benchmarks submissions for significant benchmarks, including to official sector significant benchmarks?

Yes. We believe this is both appropriate and proportionate, for the reasons we cite in our response to question 7, above..

10. If so, who should be able to exercise such a power?

Thomson Reuters does not have an opinion on this, our experience suggests that it must be the official sector, but it does not matter which specific body.

Our only comment would be that the chosen option should encompass the ability to compel submission from an entire class or very wide cohort of potential submitters, in order to avoid the free rider problem where certain market participants that are potentially appropriate submitters avoid the cost, risk and resource implications of being regulated submitters to a significant benchmark whilst still being able to benefit from its use.

11. Which option do you prefer for compelling submission, and why?

Thomson Reuters does not have an opinion on this. The consultation notes that under the option where ASIC is granted powers to compel submission from an entity or class of entities, the question of an appropriate penalties regime is raised. It is notable that (so far at least) no authority that currently compels or plans a compulsion regime has made public any detail of how this will work.

12. Do you have any comments on the suggested cohort of entities that could be made subject to such a power?

As noted above, Thomson Reuters believes the key is to avoid the free rider issue, however this must be tempered with a degree of proportionality. Our experience is that in most markets, there is a long tail of possible submitters to a benchmark, but at some point the additional value that these bring becomes de minimis, and the amount of work for both the potential submitter and the regulatory body becomes disproportionate. Where these exist it might be proportionate to consider defined market makers as the core of such a group.

13. Do you have any other suggestions for how to compel submissions?

No.

14. **Do you have any comment on the proposal to introduce a specific offence of benchmark manipulation?**

Thomson Reuters does not have an opinion on this, beyond noting that several jurisdictions have felt able to sanction individuals for manipulating benchmarks under existing provisions without a specific offence of benchmark manipulation. That said, the UK's FEMR recommendations and MAR 8 section of the FCA handbook contemplate the specific offence of benchmark manipulation, and we would support the CFR following a similar path.

15. Do you agree that the proposed offence should cover all financial benchmarks rather than just significant benchmarks?

Logic would seem to dictate that if it is felt that manipulation of a benchmark is worthy of a specific offence of benchmark manipulation, this should apply equally to all benchmarks.

16. Do you have any comment on:

- **a. the physical elements of the proposed offence,**
- **b. the fault elements of the proposed offence,**
- **c. the proposed civil liability provision; or**
- **d. the proposed jurisdictional reach of the proposed offence? Are there other factors that should be considered in defining the jurisdictional reach of the proposed offence?**

Thomson Reuters has no comment on this.

17. Do you have any comment on the separate proposal to expressly provide that BABs and NCDs are financial products for the purposes of Part 7.10 of the Corporations Act?

It would seem sensible and proportionate to expressly provide that BABs and NCDs are financial products for the purposes of Part 7.10 of the Corporations Act.

18. Do you have any other comments?

No.

19. Do you have any comments on the benefits and costs of reform?

Thomson Reuters believes that reform of the benchmark administration and submitter regime is worthwhile and important for the benefit participants in all markets worldwide, and we have been vocal supporters of such reforms in all the territories cited in the consultation paper. We welcome in particular the practical and proportionate approach the CFR embrace in this consultation.

That said, as we note in our answer to question 5, above, we believe that to the extent possible authorities should as far as possible implement common regimes. This provides two important benefits, namely minimising costs and risk for all involved in the administration, submission and use of benchmarks and also providing a single harmonious environment that is comprehensible to end users globally that allows easy comparison and risk management across borders.