



Conflict of Interest Oversight Committee

Report to the Board of Directors for the year 2021

Public version

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Foreword

Even though the year 2021 was still strongly affected by the Covid-19 pandemic, the European Money Markets Institute successfully continued the implementation of robust and sound practices for the prevention, identification, and management of conflicts of interest.

In 2021, the main focus of the work of the Conflicts of Interest Oversight Committee ('CIOOC') was the review of the Conflicts of Interest Policy and Procedure, with a continuous focus on the management of actual or perceived conflicts of interest.

The CIOOC also closely monitored the control framework concerning conflicts of interest. In addition, the CIOOC continued to promote awareness and best practices at all levels of the European Money Markets Institute.

As Chairman of the CIOOC, I thank my colleagues in the Committee for their active contribution. I also thank the CEO of the European Money Markets Institute and the staff members for their support and assistance.

The CIOOC is committed to continuously support the European Money Markets Institute with its expertise and independent judgement for the consolidation and further enhancement of its conflicts of interest management, in the public interest.

Karel VAN HULLE

Chairman of the Conflicts of Interest Oversight Committee

1. Role and Responsibilities of the Conflicts of Interest Oversight Committee

Following the review of the Conflicts of Interest Policy and Procedure, the CIOC Charter is included in the Conflicts of Interest Policy, whose last version was approved by the Board of Directors on 22 September 2021.

The duties of the CIOC are clearly defined in the Charter, while the specific activities to be performed in the prevention, identification, and management of conflicts of interest are further detailed in the relevant sections of the Conflicts of Interest Policy and more specifically in the Conflicts of Interest Procedure, approved by the CEO of EMMI on 22 September 2021.

The main areas of activity of the CIOC include:

- Identification, prevention and management of actual or perceived conflicts of interest situations, as described in EMMI's Conflicts of Interest Policy and Procedure. The CIOC advises the Oversight Committee, the Board of Directors, or the General Assembly where relevant, on actions to be taken in respect of actual or perceived conflicts of interest.
- Monitoring the effectiveness of EMMI's Conflicts of Interest Policy and Procedure and providing recommendations to identify, prevent and manage conflict of interest situations to the Board of Directors and to the Oversight Committee (for aspects related to benchmark operations).
- For the purpose of identifying relevant conflicts, considering:
 - communications made by relevant persons;
 - representations or complaints made from external parties to the European Money Markets Institute;
 - other internal documents and information.

The activities carried out by the CIOC for each of the areas described above are detailed in section 3 of this report.

2. Composition of the Conflicts of Interest Oversight Committee

In accordance with the Charter, the CIOC must be composed of at least 3 members (one Chair and two members) chosen among experts with recognized independence, withstanding and experience in financial markets and/or financial services and/or in financial regulation and control systems.

The following persons were members of the CIOC in 2021:

- **Mr Karel VAN HULLE** (Chairman), originally appointed in February 2014, and reappointed in March 2016, March 2018, February 2020, and in December 2021 each time for a two-year term. Previously Head of Unit at the European Commission and Member of the Public Interest Oversight Board, currently Emeritus Professor at the KU Leuven and Honorary professor at the Goethe University in Frankfurt.
- **Mr Stefano CARCASCIO**, originally appointed in February 2014, and reappointed in March 2016, March 2018, February 2020 and December 2021, each time for a two-year term. Previously Head of Supervision of Financial Markets, and Representative in the UK for Banca d'Italia, currently member of the Board at the Italian Chamber of Commerce for the UK and member of the OMFIF - Official Monetary and Financial Institutions Forum - Network.
- **Ms Lieve LOWET**, appointed in April 2019 and reappointed in April 2021 for another two-year mandate. Previously Secretary General for the international mutual insurance association AISAM (now AMICE) and European banking and insurance expert, currently owner and director of the consulting company Schuman European Affairs BV, expert member of the Insurance Commission in Belgium and director of Belgium and Luxembourg, Opportunity Network.

The Members are elected by the General Assembly, upon recommendation from the Nomination Committee, for a two-year renewable mandate.

3. Activities of the Conflicts of Interest Oversight Committee for the year 2021

The CIOC held two virtual meetings in 2021: on 1st June and 19th October. During those meetings, the CIOC:

- evaluated the status of implementation of the recommended actions;
- reviewed the Conflicts of Interest Policy and Procedure, which is now separated into two documents: the Conflicts of Interest Policy, approved by the Board of Directors, and the Conflicts of Interest Procedure, approved by the CEO. The CIOC Charter is included into the Conflicts of Interest Policy;
- assessed the implementation and effectiveness of the Conflicts of Interest Policy and Procedure;
- analysed relevant documents for the identification of potential, perceived, or actual conflicts of interest, including declarations of interests of relevant persons and meeting minutes;
- provided additional recommendations to ensure the full and effective implementation of the Conflicts of Interest Policy and Procedure, e.g. content and format of declarations of interests.
- assessed the Conflicts of Interest Policy and Procedure, taking into consideration the regulatory developments, as well as any risk, compliance, and audit findings, and issued recommendations for its review in 2021.

During its meetings, the CIOC also received regular updates on benchmarks reforms, and regulatory and supervisory developments.

3.1. Identification, prevention and management of actual or perceived conflicts of interest situations

The CIOC reviewed and discussed all signed declarations of interests received for the year 2021 from all relevant persons (*see section 3.3.1 below for further details*).

Following the revision of the Conflicts of Interest Policy and Procedure on 9th October 2018, members of the CIOC are also required to prepare a declaration of interests. Each member of the CIOC submitted a declaration of interest in 2021.

The CIOC reviewed the declarations of interests of the members of the Board of Directors, the EURIBOR/EONIA Oversight Committee, the STEP Market Committee and the Staff of The European Money Markets Institute.

In December 2020, a member of the EURIBOR/EONIA Oversight Committee asked The European Money Markets Institute to clarify whether his job position might be perceived as a conflict of interest. His organisation is an authorised benchmark administrator operating in the non-EURO area. The matter was initially analysed by the CIOC Chairman and subsequently by the CIOC at its first meeting on 1 June 2021. The Committee concluded that this situation did not constitute a conflict of interest, however, requested that the member of the EURIBOR/EONIA Oversight Committee would immediately disclose any changes to his current situation in a new declaration

of interest. The European Money Markets Institute CEO personally informed the member in question about the decision of the CIOC and sent him an official letter on 3 September 2021.

3.2. Monitoring the effectiveness of the Conflicts of Interest Policy and of the Procedure to manage and mitigate conflicts of interest situations

The CIOC developed and approved a revised Conflicts of Interest Policy and Procedure on 9th October 2018, which was reviewed in 2021, to enhance the effectiveness of the practices in place to prevent, identify and manage conflicts of interest by providing clear operational guidelines to the relevant persons within The European Money Markets Institute.¹¹

At each subsequent meeting, the CIOC reviewed the implementation and effectiveness of the Policy and Procedure.

Following the amendments made to EMMI's Corporate Documents Framework and in line with the periodic review cycle of the policies and procedures, in 2020 the CIOC had initiated an assessment of the robustness and effectiveness of the Conflicts of Interest Policy and Procedure that was concluded in 2021 with a review of the documents, mainly aimed at ensuring clarity and facilitate the implementation of the measures described in the documents. The review took into consideration the findings of the second and third line of defence controls and aimed at complying with legal and supervisory requirements, notably those of the new supervisory authority of The European Money Markets Institute, ESMA.

3.3. Identifying relevant conflicts

For the purpose of identifying actual or perceived conflicts of interest, the CIOC analysed the following documents:

3.3.1. *Communications made by relevant persons*

According to the Conflicts of Interest Policy and its Procedure, the CIOC expects that relevant persons communicate their interests through an annual declaration. An exception applies to the members of the General Assembly. In fact, since the members are sitting in the Assembly as representatives of national banking associations, the respective association is responsible for ensuring that conflicts of interest are managed by its representatives in General Assembly meetings.

In order to increase individual awareness and responsibility in managing potential conflicts within the General Assembly, the CIOC recommended to ask the national banking associations to appoint one delegate (and one alternate) as a permanent participant in the meetings of the General Assembly. This recommendation was first implemented in 2017 and applied in subsequent years. In order to avoid potential conflicts of interest, the CIOC recommended in

¹ According to the Conflicts of Interest Policy and Procedure, relevant persons include members of the General Assembly (Banking Associations), members of the Board of Directors, members of the Audit and Risk Committee, the CEO, Staff members, members of the EURIBOR Oversight Committee, members of the STEP Market Committee, and members of the Conflicts of Interest Oversight Committee.

November 2019 that The European Money Markets Institute's Board members would not be appointed as association representatives at the General Assembly meetings. When members of the General Assembly appoint their representatives, they must indicate on the associated form that they agree to comply with the Conflicts of Interest Policy and Procedure.

This recommendation has been implemented since 2020.

For the year 2021, the CIOC analysed the following (new/updated) declarations:

- Declarations of interests of the members of the Board of Directors;
- Declarations of interests of the members of the EURIBOR/EONIA Oversight Committee;
- Declarations of interests of the members of The European Money Markets Institute's Staff;
- Declarations of interests of the members of the Conflicts of Interest Oversight Committee;
- Declarations of adherence to the Code of Conduct of the members of the STEP Market Committee.

3.3.2. Representations or complaints made from external parties to The European Money Markets Institute

In 2021, The European Money Markets Institute did not receive any representation or complaint on conflict of interests related matters from external parties.

3.3.3. Other internal documents and information

The CIOC analysed the following internal documents:

- Agenda and Minutes of General Assembly meetings;
- Agenda and Minutes of Board of Directors meetings;
- Agenda and Minutes of EURIBOR Oversight Committee meetings;
- Agenda and Minutes of Audit and Risk Committee meetings.

Following an analysis, the CIOC concluded that during the meetings under review, the issue of potential conflicts of interest was regularly discussed and treated with appropriate attention. The preventive measures and the controls of potential conflicts of interest at the level of the governing bodies of The European Money Markets Institute were effective during the period under review.
