

Banking Activities Standards

CBA Standard

PRIBOR – Code of Conduct

Date of issue: 26 January 2016



PRIBOR – CODE OF CONDUCT

1 Glossary

In this Code of Conduct:

“**Approver**” means an individual employed by the Panel Bank responsible for review and approval of PRIBOR Submissions proposed by the Submitter and for oversight of the PRIBOR submission process.

“**CNB Notification**” means the official notification (*úřední sdělení*) of the Czech National Bank on issue of the fifth version of the rules applicable to the reference banks and fixing of PRIBOR reference interest rate dated 1 April 2015 or any subsequent official notification of Czech National Bank replacing it.

“**Czech Banking Association**” means Česká bankovní asociace, reg. no. 45772193, with its registered office at Vodičkova 699/30, Nové Město, 110 00 Praha 1, registered in the Associations Register maintained by the Municipal Court in Prague, File No. L 59026.

“**Czech Forex Club**” means The Financial Markets Association of the Czech Republic (A.C.I.), o.s., reg. no. 68407068, with its registered office at Praha 1, Ovocný trh 8, Palác Myslbek, registered in the Associations Register maintained by the Municipal Court in Prague, File No. L 9371.

“**Panel Bank**” means each bank awarded with the reference bank status in accordance with the CNB Notification which submits data for calculation of PRIBOR.

“**PRIBOR**” means the reference rate of interbank market deposit interest rates (Prague Interbank Offered Rate) as further defined in the CNB Notification.

“**PRIBOR Submission**” means provision of reference rate by the Panel Bank to the person responsible for calculation of PRIBOR (the calculation agent) for the purposes of the determination of PRIBOR.

“**Submitter**” means an individual employed by the Panel Bank responsible for proposing PRIBOR Submissions.

2 Introduction

2.1 This Code of Conduct has been adopted in order to set minimum standards applicable to all Panel Banks participating in the determination of PRIBOR.

2.2 The primary objectives of this Code of Conduct are:

2.2.1 setting minimum standards for the process of PRIBOR submissions by the Panel Banks;

2.2.2 define obligations in respect of the governance of the units participating on the PRIBOR submissions by the Panel Banks, ongoing monitoring and control by the Panel Banks over the performance of their duties and review of compliance with the obligations set out in this Code of Conduct and applicable laws and regulations; and

2.2.3 to maintain credibility and transparency of PRIBOR and promote trust in PRIBOR among its users and the general public.

- 2.3 This present version of the Code of Conduct was issued by the Czech Banking Association on 26 January 2016.
- 2.4 The Czech Banking Association shall review the market conditions, applicable laws and regulations and international standards applicable to the process of PRIBOR submissions and introduce such changes to this Code of Conduct as required to promote the objectives set out in Clause 2.2 above.

3 Roles and responsibilities

- 3.1 This Code of Conduct has been issued by the Czech Banking Association which acts as a coordinator responsible for issuing and amending this Code of Conduct.
- 3.2 Nothing in this Code of Conduct affects the obligations of the Panel Banks under the CNB Notification or under any laws or regulations or regulatory requirements applicable to the Panel Banks or the method of determination of PRIBOR set out in the CNB Notification.

4 Accession to the Code of Conduct

- 4.1 A Panel Bank shall become bound by the obligations set out in this Code of Conduct upon its accession to this Code of Conduct; a Panel Bank shall have acceded to this Code of Conduct through executing and delivering to the Czech Banking Association of a declaration of accession in form attached as Annex No. 1 to this Code of Conduct and published on the Czech Banking Association website, on the date set out in the declaration of accession. List of the Panel Banks that have acceded to the Code of Conduct can be accessed on the website of the Czech Banking Association.
- 4.2 A Panel Bank shall be in full compliance with the provisions of this Code of Conduct no later than 12 months after the date of its accession to this Code of Conduct. Following the expiry of such period, the relevant Panel Bank shall execute and deliver to the Czech Banking Association a form of declaration of compliance attached as Annex No. 2 to this Code of Conduct and published on the Czech Banking Association website (the “Form Declaration”).
- 4.3 If, at the time of the delivery of the initial declaration of compliance in accordance with Clause 4.2 above or at any time after such delivery, a Panel Bank fails to comply with its obligations under this Code of Conduct, it shall without undue delay notify its non-compliance through the Form Declaration listing provisions of this Code of Conduct which the Panel Bank has not complied with and provide explanation for its non-compliance. Such declaration made by the Panel Bank shall be made publicly available by the Czech Banking Association in accordance with Clause 13 below.

5 Documentation of internal policies

- 5.1 Each Panel Bank shall have all its internal policies and procedures relating to PRIBOR submissions fully documented and available for independent review by an auditor and regulatory authorities, if relevant.
- 5.2 Each Panel Bank shall make the Code of Conduct available to all its employees involved in submissions of the PRIBOR quotes and all employees responsible for dealing with instruments referring to PRIBOR. Each Panel Bank shall also ensure that all such employees will get familiarized with the Code of Conduct before they commence their job duties.

6 Organisational measures

- 6.1 Each Panel Bank shall ensure that the roles and responsibilities of all persons responsible for preparation of PRIBOR submissions are clearly defined in its internal policies and the employees

participating in PRIBOR submissions are specifically authorized by their Panel Bank to perform their duties relating to the PRIBOR submissions. The employees participating in PRIBOR submissions must also acknowledge that they understand the obligations of the Panel Banks applicable to them and set out in this Code of Conduct.

- 6.2 The Panel Banks shall maintain the submitter/approver structure, in which the “Submitter” proposes the quote submission and the “Approver” reviews its reasonableness, approves it for submission and oversees the submission process. Each Panel Bank shall ensure a substitute for the Submitters and Approvers is duly appointed. Each Submitter must have sufficient knowledge of the interbank market relevant to PRIBOR submissions and each Approver must have both such expertise and seniority to be able to challenge the quotes proposed by the Submitter.
- 6.3 The Panel Banks shall determine and implement policies applicable to the Submitters and Approvers requiring each Submitter and Approver to maintain confidentiality of all data relating to PRIBOR submissions and prohibiting them from sharing such data with other persons within the Panel Bank not participating in preparation of submissions and with any other persons outside the Panel Bank, in particular the other Panel Banks and their employees.
- 6.4 The Panel Banks shall ensure that an appropriate training is to be provided to the Submitters and Approvers and/or all relevant employees participating on PRIBOR submissions with respect to the internal policies and binding legal provisions relating to PRIBOR submissions.

7 Input Data

- 7.1 When determining a PRIBOR submission, the Panel Banks shall use the input data which are verifiable and accurately and reliably represent the economic reality that PRIBOR is to measure. Range of objective and verifiable market data shall be used by the Panel Banks as an input for daily submission and all available relevant market data shall be taken into account by the Panel Banks when preparing a submission. Such input data is to be stored to allow their independent review.
- 7.2 Relevant market data may include, but shall not be limited to:
 - 7.2.1 Deposit transactions in the money market;
 - 7.2.2 Observations of transactions in other related markets, for example overnight index swaps, secured markets including repos, foreign exchange forwards, central bank operations and interest rate derivatives;
 - 7.2.3 Observations of quotes in the aforementioned markets; and
 - 7.2.4 Observations of non-executable indications of interest in the aforementioned markets.
- 7.3 Each Panel Bank shall determine a clear hierarchy of the input data and prepare a methodology of their analysis for the purposes of determination of PRIBOR submissions.

8 Use of discretion

- 8.1 When determining a PRIBOR submission, the Submitters and Approvers shall assess the quality of the market data available to them and used for submission and they shall be authorized to use discretion and their expert judgment to make adjustment when preparing the submission. However, they shall always follow the following principles:
 - 8.1.1 Transactions or quotes in the markets and among the parties most closely related to PRIBOR should be given higher priority.
 - 8.1.2 The transaction data shall be given priority over the executable quotes which shall be given priority over non-executable price indications.

- 8.1.3 Data closer in time to the submission should be given higher priority.
- 8.1.4 Exceptionally large or small transactions shall be given lower priority.

8.2 The Panel Banks shall ensure that the Submitter's reports on the use of discretion are stored in order to allow their independent review. Such reports shall provide an explanation, in particular in circumstances when the submission materially differs from the relevant market data. A material change in submissions during a short period of time which does not correspond with the development of the relevant market data during the same period of time shall also be thoroughly addressed in Submitter's reports.

9 Conflict of interest policy

- 9.1 The Panel Banks shall develop internal policies setting out ethical standards applicable to submission activities, and communicate them to relevant staff participating on PRIBOR submission and provide such staff with an appropriate training on their contents. The internal policies of the bank shall stipulate that all employees must report (through established reporting channels) any attempts to manipulate the submission process. The employees shall be also forbidden from using information obtained in connection with PRIBOR submission for their own personal benefit or for benefit of any third party.
- 9.2 The Panel Banks shall, where necessary in order to forestall conflicts of interest, adopt the organisational measures in order to reduce potential conflicts of interest, by detaching the employees participating in PRIBOR submissions from staff in other units and, if necessary, from relevant staff in the same unit. The Panel Banks shall consider the need for further mechanisms to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence PRIBOR, including through the remuneration policies.
- 9.3 The Panel Banks shall establish and maintain, in compliance with applicable personal data protection law, controls of communications, both within the relevant Panel Bank and with third parties, including brokers and other Panel Banks, to avoid inappropriate influence and collusive behavior in connection with PRIBOR submissions. Communications subject to the control shall include, for example, physical documents, e-mails, other electronic messages, and telephone conversations and all such communications shall be recorded and archived.
- 9.4 The Panel Banks shall ensure that the Submitters and Approvers will conduct all communication relating to the PRIBOR submissions using only Panel Banks' communication systems or the systems provided by the calculation agent. No communication relating to the PRIBOR submission which cannot be recorded by a Panel Bank (for example usage of personal cell phones or personal e-mails) shall be permitted.

10 Record-keeping

The Panel Banks shall ensure that all data relating to their PRIBOR submissions (including internal policies, reports from review processes, submission queries, lists of Submitters and Approvers etc.) are stored in a format that allows for a subsequent review of the data and that prevents their manipulation or corruption. The Panel Banks shall implement measures that will prevent unauthorized access to such data. The data shall be stored for at least five years.

11 Complaints and whistleblowing procedures

- 11.1 The Panel Banks shall develop a policy for dealing with complaints from internal and external parties or whistleblowers under which all reports and complaints relating to PRIBOR submissions

made by the relevant Panel Bank, in particular those of suspicious submissions, shall be reported and addressed.

- 11.2 Complaints can also be filed with the Czech Forex Club, whose Board will discuss and address them.

12 Independent review

- 12.1 The Panel Banks shall maintain a policy for independent review of their compliance in relation to quote submission, which shall include:

12.1.1 continuous monitoring of quote submissions by independent unit (e.g. risk management, compliance unit);

12.1.2 periodic and/or unscheduled reviews by risk management/compliance;

12.1.3 periodic audit/review of the methodology for analysis of the relevant market data; and

12.1.4 at least annual review by internal audit.

13 Transparency

- 13.1 This Code of Conduct and all related documents and information can be accessed at the Czech Banking Association website <https://www.czech-ba.cz/cs/aktivita/standardy> .

- 13.2 The CNB Notification can be accessed at the Czech National Bank website http://www.cnb.cz/cs/financni_trhy/penezni_trh/pribor/index.html .

14 Miscellaneous

This Code of Conduct is executed in both Czech and English language versions. In case of any discrepancies, English language version shall prevail.

Annex No. 1 – Declaration of Accession

Declaration of Accession to PRIBOR Code of Conduct

Dated: [●]
To: The Czech Banking Association
From: [Name of the Panel Bank]

Dear Sirs,

1. We refer to PRIBOR Code of Conduct published by the Czech Banking Association on [*current iteration of the PRIBOR Code of Conduct to be inserted*] and available on its website.
2. This declaration shall take effect as of [*date of accession to be inserted*] as a declaration of accession for the purposes of clause 4.1 of the PRIBOR Code of Conduct.
3. We agree to become a Panel Bank within the meaning of the PRIBOR Code of Conduct and to be bound by the terms of the Code of Conduct as a Panel Bank.

In [●]

[Name of the Panel Bank]

Name:

Function:

Annex No. 2 – Declaration of Compliance

Declaration of Compliance with PRIBOR Code of Conduct

Dated: [●]

To: The Czech Banking Association

From: [Name of the Panel Bank]

Dear Sirs,

1. We refer to PRIBOR Code of Conduct published by the Czech Banking Association on [*current iteration of the PRIBOR Code of Conduct to be inserted*] and available on its website.
2. [We hereby confirm that we are in full compliance with PRIBOR Code of Conduct.]*

In [●]

[Name of the Panel Bank]

Name:

Function:

NOTES:

- * If this statement cannot be made, the declaration should identify any provisions of PRIBOR Code of Conduct the Panel Bank has not complied with and state a reason for non-compliance.