Investment Management Association

16 January 2013

Florian Nitschke
Market Infrastructure and Policy (MI&P)
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

By e-mail to: cp12_36@fsa.gov.uk

Dear Florian

The regulation and supervision of benchmarks

The IMA represents the asset management industry operating in the UK. Our Members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of £4.2 trillion of assets, which are invested on behalf of clients globally. These include authorised investment funds, institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, our Members represent 99% of funds under management in UK-authorised investment funds (i.e. unit trusts and open-ended investment companies). The IMA's authoritative Asset Management Survey 2012 recorded that IMA member firms were managing 38% of the domestic equity market for clients.

We welcome the opportunity to comment on the discussion and proposals made in your paper. Our answers to specific questions are attached below.

We would like to highlight the difference between indices and benchmarks. Indices are produced and published on a commercial basis, and these *may* be used by others as benchmarks against which to measure their own performance.

Our members are users of indices, rather than contributors to, or producers of, indices. While they may use indices or combinations of indices (e.g. 50% FTSE 100, 40% MSCI Emerging Markets and 10% LIBOR) as benchmarks against which to measure the performance of a client’s portfolio, they do not contribute to or produce indices. It is, therefore, important that the definition of an index does not catch such

65 Kingsway London WC2B 6TD
Tel: +44(0)20 7831 0898 Fax: +44(0)20 7831 9975
www.investmentuk.org

use of indices as benchmarks, and inadvertently impose the duties of producers of indices on those using them as benchmarks in such a way.

International co-ordination on any expansion in scope of this, or similar pieces of work, is vital given the international nature of financial services; particularly by the EU, IOSCO and the FSB.

We look forward to hearing from you if there is any clarification that you would find useful on the points we have raised. We would be happy to meet to discuss the thinking behind the market disclosure requirements.

Yours sincerely

Adrian Hood
Regulatory Adviser

The regulation and supervision of benchmarks

Chapter 2: Benchmark administrators

Q1: Do you agree that our suggested capital requirements for the administrator will give enough time for an orderly transition to a new administrator?

No comment

Q2: Are there any other rules we should consider for the administrator?

No comment.

Q3: Do you agree with our proposals for charging fees from the benchmark administrator?

As long as the fees charged reflect the real cost of regulation, to avoid cross-subsidy, then the proposals do seem reasonable.

Chapter 3: Submission to benchmarks

Q4: Do you think there are any other rules we should consider for the submitters?

No comment.

Q5: For what period should submitters be mandated to keep records?

No comment.

Q6: How frequently do you think the external audits should occur?

No comment.

Q7: Do you agree with our proposals to apply the new CF40 controlled function regardless of where the submitting activity takes place?

Yes.

Chapter 4: Broader participation in LIBOR: a discussion

DP1: Do you agree that the specific indicators and methodology we have identified adequately capture those institutions that will maintain the integrity of the LIBOR rates?

No comment

DP2: What are your views on how many institutions should form the 'super-set' that contributes to LIBOR?

No comment.

DP3: Do you agree with our approach to determining currency expertise?

It seems reasonable.

DP4: What do you think is the best process for expanding the LIBOR panels and encouraging firms to participate?

No comment.

DP5: Do you agree with our proposed approach for determining the circumstances in which the FCA would take up its powers to require submission to LIBOR?

No comment.