



Principles for the Administration of the Tradeweb FTSE Gilt Closing Prices

v1.2



Principles for the Administration of the Tradeweb FTSE Gilt Closing Prices

Introduction

This document summarises how the Tradeweb FTSE Gilt Closing Prices (the Reference Prices) are administered by FTSE International Limited (FTSE) in collaboration with Tradeweb Europe Limited (Tradeweb). The Reference Prices cover all gilts, strips and Treasury bills in issue, and gilts during their when-issued period.¹

The UK Debt Management Office announced in January 2015 that it intended to withdraw from its role as the provider of daily end-of-day gilt and Treasury bill reference prices on behalf of the Gilt-edged Market Makers Association (GEMMA) and CREST respectively. In late 2015, an independent review into the successor arrangements for the reference prices was commissioned; Professor David Miles CBE was appointed as the Head of the Independent Reference Prices Review in January 2016.

Following a period of consultation with a wide variety of stakeholders, the Independent Reference Prices Review issued a Request for Proposals (RFP) in July 2016. A number of proposals were received. Tradeweb and FTSE collaborated to provide a joint proposal and were selected as the successor providers of gilt, strips and Treasury bill reference prices: the Tradeweb FTSE Gilt Closing Prices.

The RFP stipulated that the successor provider should administer the Reference Prices in a manner consistent with the IOSCO Final Report on Principles for Financial Benchmarks published in July 2013 (the IOSCO Principles). The RFP emphasised the desirability of making the Reference Prices available on a Fair, Reasonable and Non-Discriminatory (FRAND) basis for professional use, and freely available for non-commercial use following a short delay.

In addition to the stipulations of the RFP, in the event of any future determination that Reference Prices will constitute Benchmarks under the Regulation (EU) 2016/1011², Tradeweb and FTSE undertake to take the necessary steps to calculate and administer the prices in line with the Regulation.

This document summarises how FTSE and Tradeweb comply with these requirements.

¹ For any other instruments that may be issued by the DMO in future, it is anticipated that FTSE and Tradeweb will collaborate with the DMO and seek to provide Reference Prices on such instruments within a reasonable timeframe.

² [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

The IOSCO Principles

FTSE administers the Reference Prices in accordance with the IOSCO Principles. Tradeweb acts as the Calculation Agent³ for the Reference Prices and has contracted with FTSE to determine the Reference Prices according to the methodology approved by FTSE as the Benchmark Administrator. Additionally, Tradeweb will be the licensor of the Reference Prices.

The IOSCO Principles cover the areas of: Governance, Quality of the Benchmark, Quality of the Methodology and Accountability. This document summarises how FTSE complies with the four broad categories of the IOSCO Principles.

Governance

As the Administrator of the Reference Prices, FTSE is required to have appropriate governance arrangements in place to protect the integrity of the Benchmark.

The Tradeweb FTSE Gilt Closing Prices are governed according to FTSE Russell's⁴ [standard governance process](#).

1.0 Overall responsibility of the Administrator

The [Guide to the Calculation of Tradeweb FTSE Gilt Closing Prices \(the Calculation Guide\)](#) states that FTSE accepts responsibility as the Benchmark Administrator. The Guide includes the definition of the Benchmark and the methodology used to determine the Reference Prices (the Methodology) including the contingency protocol to be invoked in case of operational difficulties.

As with other FTSE Russell Benchmarks, the FTSE Russell Governance Board is responsible for the oversight of the Reference Prices including their development, issuance and operation.

2.0 Oversight of third parties

Calculation of the Reference Prices is undertaken by Tradeweb on behalf of FTSE in its role as Calculation Agent. Tradeweb is responsible for the collection of inputs in the form of executable quotes posted by Gilt Edged Market Makers (GEMMs) on the Tradeweb electronic trading platform, the implementation of the Methodology, and for the dissemination of the Reference Prices through its proprietary channels and through third party distributors.

The contract between FTSE and Tradeweb sets out the roles and obligations of the parties, such as FTSE's obligations as Benchmark Administrator, and Tradeweb's obligations as Calculation Agent and Reference Price licensor (including an obligation to license on FRAND terms). The contract provides for periodic meetings of a joint Management Board⁵ to discuss issues relating to the Reference Prices. These meetings will include the management and review of any conflicts of interest by Tradeweb and assurance of Tradeweb's Business Continuity Arrangements.

3.0 Conflicts of interest

As a member of the London Stock Exchange Group, FTSE is subject to the London Stock Exchange Group Conflict of Interest Policy and has documented a supplementary policy that is specific to the benchmark business, the FTSE Russell Conflict of Interest Policy, to address situations specific to FTSE Russell's business where conflicts of interest may arise. An annual conflict risk assessment is

³ Capitalised terms not defined here are as defined in the IOSCO Principles.

⁴ FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

⁵ From FTSE: Head of Policy, Fixed Income Product Manager. From Tradeweb: Director, European Governments and Director, Business Development.

undertaken and the output from the conflict risk assessment is recorded on the FTSE Russell Conflicts Registers. The Conflicts Registers are reviewed annually.

4.0 Control framework

FTSE Russell has a documented risk-based control framework which is supported by underlying procedure documents for the Benchmark production process. The control framework considers potential risks related to the provision of Benchmarks and the controls in place to support the management of them. Risk assessments of Benchmarks are undertaken at least annually.

The control framework includes the arrangements to be put in place to ensure that the quality and integrity of the Reference Prices is maintained. The FTSE Russell Governance Board will review any issues related to the calculation of the Reference Prices. It will also review complaints received from stakeholders in accordance with the FTSE Russell [Queries and Complaints Policy](#).

5.0 Internal oversight

Internal oversight of the Reference Prices is exercised by the FTSE Russell Governance Board. The FTSE Russell Governance Board is responsible for approving new Benchmark methodologies and changes to the methodologies for existing Benchmarks. It is assisted in its tasks by various internal working groups which assess the operational feasibility of maintaining Benchmarks according to new or amended Methodologies, and that ensure that Methodologies are written in a clear and transparent manner. The [terms of reference for the FTSE Russell Governance Board](#) are published on the FTSE Russell website.

The FTSE Russell Governance Board is assisted further by external advisory committees. With respect to the Reference Prices, external advice is provided by the FTSE EMEA Fixed Income Advisory Committee (the Advisory Committee). The Advisory Committee draws its membership from users and other stakeholders of FTSE European bond index series including the FTSE Actuaries UK Gilts Index Series. The membership of this committee has been expanded to include representation from Tradeweb and additional expertise in UK Treasury bills. The UK Debt Management Office is invited to send an observer to the meeting. The [terms of reference of the Advisory Committee](#) are published on the FTSE Russell website.

Quality of the Benchmark in accordance with the IOSCO Principles

6.0 Benchmark design

The Reference Prices are based upon executable quotations posted by GEMMs on the Tradeweb electronic trading platform during a defined calculation window.

7.0 Data sufficiency

Data for the determination of the Reference Prices is sourced from the Tradeweb electronic trading platform. In 2020, the Tradeweb platform facilitated approximately 290,000 gilt transactions amounting to £1,439bn of notional.

These statistics support the sufficiency of the underlying inputs to the Reference Price determination. In accordance with the control framework, these statistics will be kept under review by the FTSE Russell Governance Board to ensure that the Benchmark design remains suitable as a measure of the underlying market interest.

8.0 Hierarchy of Inputs

The Calculation Guide describes the use of executable quotes posted by GEMMs on the Tradeweb electronic trading platform. The use of executable quotes anchored in an observable market of bona

vide arms-length transactions is preferred to the use of executed transactions as the frequency of trading is limited for some gilts, particularly long-dated index-linked gilts.

9.0 Transparency

In order to provide the appropriate degree of transparency, for each Reference Price determination the underlying quotations from each GEMM posted during the two minute collection window are retained by Tradeweb, along with the quotations that were excluded by virtue of the standard deviation and random filters. FTSE conducts checks on sample historic Reference Price calculations to confirm that the methodology has been adhered to.

If, for any reason, FTSE as Administrator, in consultation with Tradeweb as Calculation Agent, finds it necessary to deviate from the stated Methodology, for example as a result of a query or complaint being submitted by a user of the Reference Prices, the reasons for the departure will be recorded.

Tradeweb retains the number, volume and execution prices of the transactions that take place on the Tradeweb electronic trading platform. These statistics are reviewed at the meetings of the Advisory Committee and the FTSE Russell Governance Board to provide assurance that conditions in the underlying market are such that the Methodology remains appropriate.

10.0 Periodic Review

The FTSE Russell Governance Board receives quarterly reports on the efficacy of the Methodology to ensure that the Reference Prices remain representative of the underlying interest. These reports include statistical summaries of the dealer quotations posted on the Tradeweb electronic trading platform on an anonymised basis.

The FTSE Russell Governance Board will also periodically review the conditions in the underlying gilt market, in order to confirm that it remains a suitable basis for credible Reference Prices. This will include consideration of the number of transactions being effected in each gilt.

Quality of the Methodology

11.0 Content of the Methodology

The Methodology is published on the FTSE Russell website as [The Guide to the Calculation of the Tradeweb FTSE Gilt Closing Prices](#). The Calculation Guide sets out the rationale for adopting the Methodology and sets out in detail the steps followed for the determination of the Reference Prices including the time window in which executable quotations are sampled (16.14 to 16.16 London time) and the time at which Reference Prices will ordinarily be disseminated (16.45 London time).

The Calculation Guide describes the contingencies that are in place in the event that one or more Reference Prices cannot be determined from the executable quotes provided by GEMMs during the determination window because of disruptions to the Tradeweb electronic trading platform.

The Calculation Guide sets out the steps to be followed in the event that a stakeholder wishes to query or complain about the determination of a Reference Price, and the steps that FTSE and Tradeweb will undertake if an error in a Reference Price determination is identified.

The Calculation Guide is reviewed at least on an annual basis by the FTSE EMEA Fixed Income Advisory Committee and any recommendations of the Advisory Committee with respect to proposed amendments or enhancements to the Methodology are forwarded to the FTSE Russell Governance Board for further consideration.

12.0 Changes to the Methodology

FTSE Russell has in place a defined procedure in the event that a user or an internal or external stakeholder wishes to propose a change to the Methodology. This procedure requires that such proposals are evaluated from an internal perspective to ensure that changes to operational procedures can be effected without incurring undue operational risk, and from an external perspective to ensure that the changes will be welcomed by users and other stakeholders.

The Advisory Committee will be consulted on all proposals to enhance the Methodology. In the event that significant changes to the Methodology are proposed, for example if changes to the underlying interest indicate that a move away from the use of executable quotations might be merited, FTSE will issue a public consultation so as to obtain wide feedback on alternative calculation methodologies. The results from the public consultation will be considered at the Advisory Committee and the recommendations from the Advisory Committee will be forwarded to the FTSE Russell Governance Board for consideration.

Final approval of changes to FTSE Russell Benchmark Methodologies rests with the FTSE Russell Governance Board. All approved changes are announced to the market through the use of FTSE Russell technical notices. Technical notices include the effective date of any change to a Benchmark Methodology: minor changes may be made effective immediately; significant changes will only be implemented on provision of several months' notice.

13.0 Transition

FTSE Russell has published a [Benchmark Decommissioning Statement](#) that sets out reasons that might cause FTSE Russell to cease the determination of a Benchmark, for example because of changes to the market structure, or because it is no longer possible to source adequate input data, or because of a lack of commercial revenues.

FTSE Russell follows a structured process to consider and then communicate the decision to terminate a Benchmark. At least three months' notice is provided of FTSE Russell's intention to cease calculation and publication of a Benchmark to allow affected stakeholders to make representations.

In the specific case of the Reference Prices, the Calculation Guide states that various factors, including external factors beyond the control of the Administrator, might necessitate material changes to the Benchmark. The contract between FTSE and Tradeweb provides for the continued supply of the input data necessary for the determination of the Reference Prices for a minimum period of three months should the agreement be terminated.

14.0 Submitter Code of Conduct

The Reference Prices are calculated on the basis of executable quotations posted on a regulated trading venue with mandatory post-trade transparency requirements, and therefore do not constitute Submissions as defined in the IOSCO Principles. A code of conduct with those submitting quotations is therefore not required. However, the dealers who post quotations on the Tradeweb electronic trading platform for the relevant securities have signed the Tradeweb Dealer Subscriber Agreement which demonstrates their commitment to provide liquidity to their buy-side clients.

15.0 Internal Controls over Data Collection

As mentioned above, GEMMs posting executable quotes on the Tradeweb electronic trading platform are subject to the terms of the Dealer Subscriber Agreement. The agreement between FTSE and Tradeweb sets out the controls that are applied to the provision of the calculated Reference Prices to FTSE.

16.0 Complaints Process

FTSE Russell has a defined complaints process set out at [FTSE Russell Queries and Complaints Policy](#). Queries with respect to the determination of an individual Reference Price will be shared between FTSE and Tradeweb. Where an error is found to have occurred in the determination of one or more Reference Prices, users will be notified and revised Reference Prices will be published.

In circumstances where either Tradeweb as Calculation Agent, or FTSE as Administrator, considers that manipulation of a Reference Price may have taken place, the details will be provided to the Financial Conduct Authority.

17. Audits

FTSE Russell has appointed KPMG to conduct annual reviews of FTSE Russell's compliance with the IOSCO Principles. The Reference Prices were included in the FTSE Russell IOSCO Compliance Report published in September 2020.

18. Audit Trail

FTSE confirms records are kept for a minimum of five years.

19. Co-operation with Regulatory Authorities

FTSE confirms its co-operation with Regulatory Authorities.

Pricing Principles

Tradeweb confirms that the Reference Prices will be made available on a FRAND basis to professional users. Please contact Tradeweb for the current licence arrangements.

FTSE Russell acknowledges that there is a public interest benefit in the reference prices being available without charge to the wider public for non-commercial use after a short delay. As part of the collaboration arrangement with Tradeweb, Tradeweb confirms that Reference Prices will be made freely available by the Calculation Agent for non-commercial use as of 12.00 noon London time the next day. Reference Prices will be posted to a free-to-access website (currently the Tradeweb InSite website). Up to five days of Reference Price data can be downloaded at a time from Tradeweb's InSite website for all securities, or a full time series for a single security. Those needing access to longer histories should contact [Tradeweb](#) for bespoke arrangements.

If, for any reason, the collaboration with Tradeweb ceases, or if the inclusion of pricing data from additional sources becomes necessary or appropriate, FTSE Russell will endeavour to ensure, but cannot guarantee, that reference prices continue to be available without charge to the wider public for general use after a short delay.

Business Continuity Arrangements

Tradeweb maintains an approved, documented procedure that covers various Business Continuity and Disaster Recovery scenarios both in and out of office hours including loss of office, key personnel and loss of a data centre. Tradeweb maintains two UK data-centres, a main and a secondary, in the outskirts of London. The infrastructure is duplicated between data-centres and data is replicated providing a hot site recovery strategy. All restoration tasks and configuration changes necessary for operation from the secondary site are documented and held separately by the operations and infrastructure teams.



Further Information

For further information on FTSE Russell Indices please visit www.ftserussell.com or email info@ftserussell.com. Contact details can also be found on this website. For access to the Tradeweb FTSE Gilts Closing Prices please contact ecs@tradeweb.com.

© 2022 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI Europe, FTSE FI, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "The Yield Book®", "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE FI Europe, FTSE Canada, FTSE FI, YB or BR.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indices cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE Canada, FTSE FI Europe, FTSE FI, YB, BR and/or their respective licensors.