



NOMURA

United Kingdom Benchmark Regulation: Compliance Statement

Nomura International plc

Compliance Statement

Item	Text field
A. General Information	
1. Date of creation of the compliance statement and of the latest update	1. Created: 31 January 2022
2. Identity of the administrator	2. Nomura International plc
<p>This section should identify:</p> <ul style="list-style-type: none"> • the non-significant benchmark in respect of which provisions do not apply, • the provisions that the administrator has chosen not to apply, and • an explanation as to why it is appropriate not to apply each provision. <p>Each section should be completed for any identified group of non-significant benchmarks provided by the administrator in respect of which:</p> <ul style="list-style-type: none"> • the same provisions are not complied with, and • the same explanations for non-compliance apply. 	
<p>B. Nomura International plc (“NIP”) chooses to not apply the following provisions of the United Kingdom Benchmark Regulation, which comprises the European Union Benchmark Regulation 2016/1011 (“EU BMR”) and any regulatory or implementing technical standards and other delegated or implementing acts adopted under that Regulation, insofar as it is applicable in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 and other United Kingdom legislation which implements and amends retained European Union law in the United Kingdom including, but without limitation, the Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019, SI 2019/657 (“UK BMR”) with respect to its non-significant benchmarks listed below</p>	
3. Identification of benchmark(s) for which this section is relevant	<p>3. https://www.nomuranow.com/portal/site/nnextanet/resources/assets/files/structured/why-us/NIP-List-of-Indices.pdf</p> <p>together, “NIP Indices”.</p>
4. (i) clear identification of each single provision; (ii) for each provision listed under point (i), a dedicated, detailed and clear explanation of the reasons why the administrator considers it	<p><i>Article 4(2) of the UK BMR: The provision of a benchmark shall be operationally separated from any part of an administrator's business that may create an actual or potential conflict of interest.</i></p> <p>NIP's role as Index administrator, user of NIP indices and market maker in general may give rise to actual or potential conflicts of interest.</p>

<p>appropriate not to comply with that specific provision</p>	<p>Having regard to the size and nature of NIP's Index administration business, NIP is satisfied that it has appropriately mitigated these conflicts, without the need for further operational segregation beyond the enhancements NIP has made to its control framework (e.g. Index level calculation and verification undertaken by segregated functions). In addition to the requirements and controls set out in NIP's overarching conflicts of interest policy, these mitigants include (but are not limited to) the following:</p> <ul style="list-style-type: none"> - NIP has a number of measures and controls in place to ensure (to the extent necessary and appropriate) the confidentiality and integrity of information it uses in the Index administration process; - in relation to its trading activities, all traders are subject to, and receive regular training on, NIP policies relating to conflicts of interest, pre-hedging and market conduct; - Trading must report to the Index Structuring Team, legal function and compliance function (as appropriate) any material impact that its hedging and pre-hedging arrangements have or may have on the performance of an Index; - NIP's trading books and records for hedging purposes are segregated from those used for NIP's other trading activities; - hedging related trading books and records can only be viewed on a 'need to know basis'; - Trading does not have the ability to amend the model which calculates an index and its output positions or otherwise manipulate the way in which an Index operates; and - any pre-hedging must comply with NIP's pre-hedging guidance, which requires: specific client disclosure, that pre-hedging only be conducted for NIP's legitimate risk management, and that pre-hedging only be conducted in a way that minimises market impact and avoids over-hedging. <p>Other measures in place to manage conflicts of interest include: controls on input data, policies in respect of managing personal interests and connections of employees, the use of a conflicts register, restrictions on staff remuneration, segregation of reporting lines and policies to ensure adequate supervision of input data and index determination.</p> <p>Procedures in the Index design process require that any actual or potential conflicts are disclosed in Index Descriptions.</p> <p><i>Article 4(8) of the UK BMR: An administrator shall establish specific internal control procedures to ensure the integrity and reliability of the employee or person determining the benchmark, including at least internal</i></p>
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	<p><i>sign-off by management before the dissemination of the benchmark.</i></p> <p>NIP Index determinations are released through standardised and/or automated processes. NIP is currently taking steps to migrate as many NIP Indices as reasonably possible to calculation tools that are created and operated independently from the Index Structuring Team. The remaining NIP Indices, whose levels are still calculated and operated by the Index Structuring Team, are subject to verification by an independent team on the day of, or before, the release of the Index. There are only limited circumstances where calculation tools are operated by the Index Structuring Team. All NIP employees are subject to the firm-wide conflicts of interest policy, as well as a number of conflicts management measures that are specific to the Administration of the NIP Indices to achieve integrity of Index determination. As such, NIP considers it proportionate and appropriate that management does not sign-off on each NIP Index prior to release.</p> <p><i>Article 11(1)(b) of the UK BMR: the input data referred to in point (a) shall be verifiable.</i></p> <p>All NIP Indices are designed using input data and price sources that are considered robust and reliable. NIP's input data hierarchy requires transaction data be used unless transaction data is not sufficient or appropriate to achieve the central objective of the Index. It also prefers data which is similar to transaction data (e.g. committed (executable) bids and offers) over other non-transaction data, such as macroeconomic or accounting data or expert judgment or discretion. The use of expert judgment or discretion is also limited to specific circumstances and closely supervised by the Index Committee.</p> <p>Pursuant to the input data hierarchy applicable to NIP Indices (this is set out in NIP's governance policy/control framework), much of the input data used in the determination of the NIP Indices is transaction data sourced from Bloomberg or Reuters that pass such data directly through (without any modification) from the relevant exchanges. NIP considers such data reliable and not vulnerable to manipulation and as such NIP does not perform in-depth verifications of such data.</p> <p>Certain input data in relation to interest rate swaps is subject to checks against alternative price sources on a daily basis. All input data is subject to quarterly reviews to identify any data concerns or issues. Further on a bi-annual basis all input data is checked for appropriateness, robustness and reliability of the price source and that the input data continuously reflects the market or economic reality that the NIP Index is intended to measure, as per its objective.</p> <p>Due to the reliable nature of the input data used by NIP and the operational burden of verification processes, NIP considers the scope and frequency of its existing input data checks to be appropriate.</p>
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	<p><i>Article 11(2)(c) of the UK BMR: Administrators shall ensure that their controls in respect of input data include a process for validating input data, including against other indicators or data, to ensure its integrity and accuracy.</i></p>
	<p>NIP understands that this validation requirement is focussed on the ongoing assessment of the appropriateness of the type of input data used to achieve the objectives of an Index. In light of the type of input data used (see the explanation of NIP’s input data hierarchy above) and due to the operational burden of validation processes, NIP considers the scope and frequency of its existing checks to be appropriate (see explanation for Article 11(1)(b) above of the UK BMR).</p> <p>Validation of input data is, however, inherent in NIP’s existing methodology back-testing requirements and regular Index reviews.</p>
	<p><i>Article 13(2) of the UK BMR: The procedures required under point (c) of paragraph 1 shall provide for:</i></p> <p>(a) <i>advance notice, with a clear time frame, that gives the opportunity to analyse and comment upon the impact of such proposed material changes; and</i></p> <p>(b) <i>the comments referred to in point (a) of this paragraph, and the administrator’s response to those comments, to be made accessible after any consultation, except where confidentiality has been requested by the originator of the comments.</i></p>
	<p>Whilst NIP will consult stakeholders in respect of any proposed material change to a Methodology, such consultation process will not be made public and NIP will engage with each stakeholder or user directly on an individual basis, which it considers proportionate for the NIP Indices given the small number of assets under management that reference each of the relevant NIP Indices.</p>

Definitions	
Administration	<p>Includes all stages and processes involved in the production and dissemination of an Index, including:</p> <p>(a) collecting, analysing and/or processing information or expressions of opinion for the purposes of the determination of an Index;</p> <p>(b) determining an Index through the application of a formula or another method of calculating the information or expressions of opinions provided for that purpose; and</p> <p>(c) dissemination to users, including any review, adjustment and modification to this process.</p>
Index	Any index which fall into the definition of a “Benchmark” under the UK BMR.

Index Description	The document(s) which sets out: (i) the Index summary; (ii) the Methodology or rule book which specifies how a particular Index is calculated; (iii) Index risk factors; and (iv) historical Index performance analysis/information.
Index Structuring Team	The structuring team (in the UK as applicable or, in Asia/Mumbai, a combination of Structuring and Quantitative Strategies teams) which is responsible for the design, determination and maintenance of Indices and which overall supports the Index Administration business.
Methodology	The written rules and procedures according to which information is collected and the Index is determined.
Quantitative Strategies	The non-independent research function (in the UK, Asia or other jurisdiction, as applicable) which supports the Index Administration business.
Trading	The trading operations (in the UK or Asia, as appropriate) which manage risk in relation to any Index-linked product of NIP or any of its affiliates.