

## Cabinet News and Views

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### FCA's Supervision Strategy for Benchmark Administrators



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On September 8, the UK's Financial Conduct Authority ("FCA") published a "[Dear CEO](#)" letter setting out its strategy and supervisory priorities for overseeing benchmark administrators under the UK Benchmark Regulations ("UK BMR") and applicable FCA Principles and Rules. This form of letter is a common tool utilized by the FCA to focus the attention of firms' senior managers on particular issues.

Following the UK's withdrawal from the EU and the end of the transition period, the EU Benchmark Regulation has been brought into UK law. Under the UK BMR, the FCA is responsible for: (i) the authorization and registration of UK benchmark administrators; (ii) the recognition of third country administrators; (iii) the endorsement of third country benchmarks; (iv) enforcement; and (v) the supervision of benchmark administrators, users and contributors in the UK.

The FCA directs attention to the [new consumer duty](#), which is intended to set high standards of consumer protection across financial services. Benchmark Administrators are not within the scope of this duty. It will likely apply, however, to firms within the distribution chain of products in which benchmarks are used. The initial phase of rules and guidance for this new duty will come into force on July 31, 2023.

The main content of the Dear CEO letter comprises the laying out by the FCA of its supervisory priorities for benchmark administrators. The FCA's priorities are as follows:

- Disclosure
- Quality of data and data controls
- Operational resilience
- Oversight and governance

- Competition

The FCA makes it clear that the list is not exhaustive and that their supervisory priorities may change to reflect the evolving nature of the markets and benchmark business. Furthermore, the FCA reminds all authorized firms that they must remain compliant with [FCA Principle 11](#), requiring that authorized firms must deal with regulators in an open and cooperative way. The FCA gives an example of such compliance, stating that “you should inform us if you are making major changes to widely used benchmarks, or planning to make substantial changes to your business, such as substantially amending outsourcing arrangements, or actively considering relocating activities outside of the UK.”

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