

## **BENCHMARKS REGULATION COMPLIANCE PLAN**

### **What is the Benchmarks Regulation and does it impose obligations on NWB Bank?**

The [Benchmarks Regulation](#)<sup>1</sup> (the “BMR”) is a European legislation aiming to ensure the accuracy and integrity of benchmarks. For this purpose, the BMR imposes several obligations on benchmark administrators, contributors and users such as: (i) authorization/registration requirement for benchmark administrators; (ii) mandatory contribution requirement to critical benchmarks for benchmark contributors; and (iii) restrictions on the use of unauthorized benchmarks by supervised entities and requirement to prepare written plans setting out the measures that will be applied in case of cessation of or material change to a benchmark. The BMR came into effect on 1 January 2018, with certain provisions subject to a phase-in period.

NWB Bank is a ‘supervised entity’ for purposes of the BMR and is bound by several obligations thereunder as explained below.

### **What are the provisions that NWB Bank has to comply with?**

- [Article 28\(2\)](#) of the BMR requires NWB Bank to produce and maintain robust written plans setting out the actions that it would take in the event that a benchmark materially changes or ceases to be provided. Where feasible and appropriate, such plans shall nominate one or several alternative benchmarks that could be referenced to substitute the benchmarks no longer provided, indicating why such benchmarks would be suitable alternatives. NWB Bank shall, upon request, provide the relevant competent authority with those plans and any updates, and shall reflect them in the contractual relationship with clients.
- [Article 29\(1\)](#) of the BMR requires NWB Bank to use only a benchmark or a combination of benchmarks if the benchmark is provided by an administrator located in the Union and included in the registers referred to under the BMR.
- [Article 29\(2\)](#) of the BMR requires NWB Bank to ensure that its prospectus includes clear and prominent information stating whether the benchmark is provided by an administrator included in the register referred to in the BMR. For prospectuses approved prior to 1 January 2018, the underlying documents shall be updated at the first occasion or at the latest within 12 months after that date.

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<sup>1</sup> 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 and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, published in the Official Journal of the European Union on 29 June 2016.

## What is NWB Bank's action list?

- NWB Bank has established a dedicated working group comprising treasury, risk management, financial control, legal, treasury back office and IT departments to monitor and discuss the developments as to the global benchmark reform; to make impact assessments as to their responsibility areas; and to take the necessary actions required for regulatory compliance in cooperation with other working group members and departments. This working group continuously makes assessments on various benchmark reform related topics including, but not limited to, the following topics: :
  - Which products/contracts of NWB Bank are in scope of the BMR and need to comply with the BMR? What is the timing of compliance (i.e., is there any extensions in relation to use of any benchmarks)?
  - Which products are out of scope but rely on benchmarks, if any?
  - What are the legal developments in the market for changes to impacted contracts?
  - What are the market standards for identifying alternative benchmarks that could be referenced in substitute of existing benchmarks, where feasible and appropriate?
  - What changes are being implemented to existing benchmarks for BMR compliance?
  - How are the legacy trades to be treated for regulatory purposes?
  - The result of a risk assessment of any potential hedging mismatch.
  - How to communicate with customers and counterparties, whose contracts will have to be changed?
  - What are the operational and IT implications of (potential) changes to benchmarks?
  - Monitoring the implementation of the agreed - and in line with market standards - fallback language in loan documentation with WSW/WFZ.
  - Monitoring the amendment of the relevant derivative contracts (e.g. CSA and GMRA contracts) to - in line with market standards - replace the EONIA benchmark rate with the €STR benchmark rate.
  - Monitoring the exchange of questionnaires with counterparties to effect the amendments purported to be made by the ISDA 2018 Benchmarks Supplement Protocol, and assessing the scope of the ISDA 2020 IBOR Fallbacks Protocol and monitoring whether it became effective with our counterparties.

- The phase-out of USD LIBOR and GBP LIBOR in the relevant loan and bond documentation and the implementation of SOFR and SONIA, as applicable, as alternative benchmarks in the respective documentation.
- Monitoring the implementation of fallback language in products/contracts that reference the EURIBOR benchmark rate.
- The Regulatory Team of the NWB Bank will also monitor the regulatory developments as to the BMR.
- Legal Department will ensure that during the annual updates of NWB Bank's prospectus, the disclosure requirements of the BMR are addressed.

### **What is the purpose of this document?**

This Benchmarks Regulation Compliance Plan is prepared to explain in brief what the BMR is about and which obligations it imposes on NWB Bank, and to set out an inexhaustive/summary action list. This document constitutes the robust written plan, together with the impact analyses/detailed action list documents that the dedicated benchmark reform working group has prepared/is updating on a regular basis and sharing with NWB Bank's Asset & Liability Committee.