

# Global Equities, Global Markets Investable Indices Division UK Benchmarks Regulation – Compliance Statement

Merrill Lynch International publishes and maintains this Compliance Statement pursuant to Article 26(3) of the EU Benchmarks Regulation (2016/1011) as onshored by the Benchmarks (Amendment and Transition Provision) (EU Exit) Regulations 2019/657, as amended (the “**UK Benchmark Regulation**”) in its capacity as an administrator of non-significant benchmarks.

| <b>A. General Information</b>   |  |
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| <i>1. Date of creation of the compliance statement and of the latest update</i>   | Created: 24 February 2020<br>Updated: 06 August 2024   |
| <i>2. Name of the administrator</i>   | Merrill Lynch International  |
| <b>B. Merrill Lynch International chooses to not apply the following provisions of the UK Benchmark Regulation in respect of the non-significant benchmark or non-significant benchmarks identified below</b>           |  |
| <i>1. The benchmark or benchmarks in respect of which the provision(s) do not apply</i>   | Please refer to the list of families of non-significant benchmarks in Annex 1 to this Compliance Statement.  |
| <i>2. (i) The provision or provisions of UK Benchmark Regulation that do not apply</i><br><br><i>(ii) For each provision, the reasons why it is appropriate for the administrator not to comply with that provision</i> | <p><b>Article 4(2) of the UK Benchmark Regulation:</b></p> <p><i>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><b>Explanation on the appropriateness of the non-compliance:</b></p> <p>Merrill Lynch International (“MLI”) has a robust framework in place to identify and prevent or manage conflicts of interest in relation to MLI’s benchmark administration business. MLI’s benchmark oversight function is responsible for ensuring that any conflicts of interest that arise from the activities of MLI are identified and avoided, mitigated or managed, and disclosed to the relevant users and competent authority.</p> <p>MLI considers that operational separation of the benchmark administration business would be disproportionate to the size of the business and MLI considers that the framework it has in place to manage conflicts of interest is sufficient to identify and to prevent or manage conflicts of interest which arise in relation to the benchmark administration business without the need for operational separation.</p> |
|   | <p><b>Article 4(8) of the UK Benchmark Regulation:</b></p> <p><i>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 sign-off by management before the dissemination of the benchmark.</i></p> <p><b>Explanation on the appropriateness of the non-compliance:</b></p> <p>MLI has control procedures in place to ensure the integrity and reliability of its employees involved in the construction and determination of its benchmarks, and the integrity and reliability of the processes which such employees have to follow prior to the launch of each benchmark. MLI considers it appropriate not to require internal sign-off by management before each further calculation and</p>  |

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|  | <p>dissemination of a benchmark on the basis that MLI's benchmarks are calculated using pre-defined and pre-approved rules-based methodologies.</p> <p><b>Article 11(1)(b) of the UK Benchmark Regulation:</b></p> <p><i>The provision of a benchmark shall be governed by the following requirements in respect of its input data:</i></p> <p><i>(b) the input data referred to in point (a) shall be verifiable.</i></p> <p><b>Explanation on the appropriateness of the non-compliance:</b></p> <p>Input data predominantly consists of exchange or third party index data including listed futures and options contract settlement prices, stock prices and third party index levels established on or derived from regulated markets or exchanges. These inputs are sourced from independent third-party market data services and reference data providers (e.g. Bloomberg and/or Thomson Reuters).</p> <p>Where input data is obtained from other sources, such as executed OTC transaction prices or market quotations or bids sourced from market participants and subject to a competitive process, this is subject to an approved control framework setting out the terms of the competitive process and includes verification of the input data from an internal group separate to the benchmark administrator.</p> <p>Any data inputs obtained internally are from sources or databases independent to the benchmark administration business which are strictly controlled and monitored according to internal policies. These data are also verified by an internal group separate to the benchmark administrator.</p> <p>Where input data is sourced directly from a third party data provider, or any of the other data sources mentioned in the preceding paragraphs, and a value, price, rate or level raises a particular concern or where MLI deems that input data is unreliable or falls below the standards necessary for MLI to determine the index reliably and accurately, or where MLI considers that the input data does not represent the market or economic reality that an index is intended to measure, MLI will notify its oversight committee with a recommendation as to the best course of action including any actions prescribed by the index rules.</p> |
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### Article 11(2)(c) of the UK Benchmark Regulation:

*Administrators shall ensure that their controls in respect of input data include:*

*(c) a process for validating input data, including against other indicators or data, to ensure its integrity and accuracy.*

### Explanation on the appropriateness of the non-compliance:

Input data predominantly consists of exchange or third party index data including listed futures and options contract settlement prices, stock prices and third party index levels established on or derived from regulated markets or exchanges. These inputs are sourced from independent third-party market data services and reference data providers (e.g. Bloomberg and/or Thomson Reuters).

Where input data is obtained from other sources, such as executed OTC transaction prices or market quotations or bids sourced from market participants and subject to a competitive process, this is subject to an approved control framework setting out the terms of the competitive process and includes verification of the input data from an internal group separate to the benchmark administrator.

Any data inputs obtained internally are from sources or databases independent to the benchmark administration business which are strictly controlled and monitored according to internal policies. These data are also verified by an internal group separate to the benchmark administrator.

Where input data is sourced directly from a third party data provider, or any of the other data sources mentioned in the preceding paragraphs, and a value, price, rate or level raises a particular concern or where MLI deems that input data is unreliable or falls below the standards necessary for MLI to determine the index reliably and accurately, or where MLI considers that the input data does not represent the market or economic reality that an index is intended to measure, MLI will notify its oversight committee with a recommendation as to the best course of action including any actions prescribed by the index rules.

### Article 13(2) of the UK Benchmark Regulation:

*The procedures required under point (c) of paragraph 1 shall provide for:*

- (a) advance notice, with a clear time frame, that gives the opportunity to analyse and comment upon the impact of such proposed material changes; and*
- (b) 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.*

### Explanation on the appropriateness of the non-compliance:

MLI has in place procedures for making changes to methodologies and a process to consult with stakeholders in the event of a material change where MLI's benchmark oversight function considers it appropriate for such a consultation to be carried out.

In relation to Article 13(2)(a), it may not always be appropriate or possible to give stakeholders advance notice and the opportunity to provide feedback in the event that it is necessary for MLI to proceed with a material change to a methodology in accordance with its procedures for changing methodologies without delay, for

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example to protect the integrity of a benchmark where a disruption event has occurred.

In relation to Article 13(2)(b), MLI will make available a summary of the comments received where a consultation has taken place. However, MLI expects that the majority of stakeholders will expect their feedback not to be made available to other stakeholders for confidentiality reasons.

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**Article 14(2) of the UK Benchmark Regulation:**

*An administrator shall monitor input data and contributors in order to be able to notify the competent authority and provide all relevant information where the administrator suspects that, in relation to a benchmark, any conduct has taken place that may involve manipulation or attempted manipulation of the benchmark, under Regulation (EU) No 596/2014, including collusion to do so.*

**Explanation on the appropriateness of the non-compliance:**

Input data consists of exchange or third party index data including listed futures and options contract settlement prices, stock prices and third party index levels established on or derived from regulated markets or exchanges. These inputs are sourced from independent third-party market data services and reference data providers (e.g. Bloomberg and/or Thomson Reuters). No internally sourced market data inputs are used and MLI does not administer any benchmarks which rely on contributions.

Where input data is sourced directly from a third party data provider and a value, price, rate or level raises a particular concern or where MLI deems that input data is unreliable or falls below the standards necessary for MLI to determine the index reliably and accurately, or where MLI considers that the input data does not represent the market or economic reality that an index is intended to measure, MLI will notify its oversight committee with a recommendation as to the best course of action including any actions prescribed by the index rules. Such courses of action may include notifying the competent authority of MLI's concerns where deemed appropriate.

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## ANNEX 1

### List of families non-significant benchmarks

Multi-Asset Benchmark Family

Equities Regulated Data Benchmark Family

Equities Non-Regulated Data Benchmark Family

Third Party and BofA Equity Indices Benchmark Family

Mixed Equities Indices Benchmark Family