

Wilshire

Wilshire Management of Illiquid Benchmarks Policy

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Summary

To ensure that the Wilshire Benchmarks (the “Benchmarks” or “Wilshire Benchmarks”) are constructed, maintained and operated to the highest standards, the administrator of the Benchmarks, Wilshire Opco UK Ltd (“Wilshire” or “the Administrator”) employs a robust governance framework to manage the Benchmarks, approve new Benchmarks and approve changes to the methodologies of existing Benchmarks.

The Wilshire Benchmark Oversight Committee (“Oversight Committee”) is responsible for the oversight of all aspects relating to the provision of benchmarks administered by Wilshire. It acts as the “Oversight Function” as defined in the IOSCO Principles for Financial Benchmarks (the “ISOCO Principles”) and undertakes all the duties and responsibilities as laid out in the IOSCO Principles. Its members are drawn from Wilshire management and staff.

The Oversight Committee is supported by external Wilshire Benchmark Advisory Committees, formed of market practitioners with specialist expertise in the areas of benchmark methodologies, input data, the underlying market and other relevant skills.

The Oversight Committee reports Wilshire Management and receives updates from first-line internal governance forums in the consideration of their business, where appropriate.

Day-to-day management of the Wilshire Benchmarks is undertaken by the Benchmark Operations teams in Wilshire.

This management of illiquid benchmarks policy is owned by the Oversight Committee, and will be reviewed and updated whenever Wilshire becomes aware of regulatory or business changes, and in any case reviewed no less than on an annual basis.

Management of Illiquid Benchmarks

In line with the principles and practices laid out in the IOSCO Principles, Wilshire Benchmarks are designed to capture the maximal amount of relevant liquidity in the underlying markets they seek to measure. However, due to circumstances outside of Wilshire’s control, these markets may become temporarily or systemically less liquid. This policy documents Wilshire’s approach to such events.

This document should be read in conjunction with the suite of documents maintained by Wilshire to ensure ongoing compliance with the IOSCO Principles. In particular, this document should be read with the Consultation policy, Methodology Documents, Benchmark Design Statement, Data Sufficiency Policy and Hierarchy of Data inputs policy.

Determination of when a Benchmark is Illiquid

Wilshire exclusively uses as its inputs into Benchmarks publicly available pricing and associated data from regulated exchanges. It selects the deepest available sources of liquid prices. The quality and depth of liquidity is kept under review by the Committee and formally reviewed annually.

If, in the opinion of the Oversight Committee, liquidity is reducing to a point where accurate price formation may no longer possible, the Oversight Committee will seek to source alternative price sources.

In this, Wilshire will be supported by its Advisory Committees.

If Wilshire believes that liquidity is reducing, it will consult on using alternative price sources or changing methodology, in line with the Wilshire Consultation policy.

Actions in Temporary and Structurally Illiquid Markets

The Oversight Committee, supported by the Advisory Committees will decide whether a period of illiquidity is temporary or structural.

In circumstances when illiquidity is temporary Wilshire may follow the procedures in its published Methodologies for managing circumstances when there are no prices or unreliable prices in the market.

Wilshire will notify users and stakeholders if this is the case.

Remediation for Benchmarks in an Illiquid Market

If the Oversight Committee believes that a market that Wilshire Benchmarks seek to measure has become structurally illiquid, it will consult publicly on the design and definition of all affected benchmarks in line with the Wilshire Consultation Policy, and benchmark Methodologies.

More information

For more information, please contact us directly:

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