



Press Release

London, Nice, Paris, Singapore, November 27, 2015

EDHEC Risk regrets that the future text on European regulation of benchmarks organises opacity in the index provision market

An agreement between the European Parliament and the Council of the EU on a Regulation of financial benchmarks was found in the night of November 24 to 25, 2015.

Unfortunately, this agreement does not respond to the criticism that EDHEC Risk Institute had expressed in [an open letter to the chair of the European Parliament's ECON committee Roberto Gualtieri](#) on February 20, 2015.

To the extent that the agreement is consistent with the text adopted by the European Parliament on May 19, 2015, we confirm that the proposed Regulation condones opacity in the index provision market. The mere disclosure of a concise methodology will be sufficient to meet the transparency requirements of the Regulation – neither investors nor their advisors will be in a position to perform advanced due diligence on the quality and robustness of methodologies, let alone verify that the advertised track records of indices correspond to the systematic application of their methodologies.

As we had feared ([Index Transparency—Recent Regulatory Developments, January 2, 2014](#)), the transparency ambitions stated in the draft Regulation and supporting study of the Commission were shattered in the course of the lawmaking process. The resulting opacity is consistent with IOSCO regulations but at odds with the high transparency standards introduced by ESMA for index-tracking UCITS. At best this will preserve regulatory arbitrage opportunities between UCITS and non-UCITS, at worst it will be the first step towards repelling the exemplary investor protections introduced by ESMA. Either way, it is a dark day for transparency.

In the absence of regulatory protection, it will be incumbent on investors and fiduciaries to demand transparency from providers.



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About EDHEC-Risk Institute

Since 2001, EDHEC Business School has been pursuing an ambitious policy in terms of practically relevant academic research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of EDHEC-Risk Institute, which has developed an ambitious portfolio of research and educational initiatives in the domain of investment solutions for institutional and individual investors.

This institute now boasts a team of close to 50 permanent professors, engineers and support staff, as well as 36 research associates from the financial industry and affiliate professors. EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS); the City of London in the United Kingdom; Nice and Paris in France. The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its position papers, published studies and global conferences.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, www.edhec-risk.com, which is entirely devoted to international risk and asset management research. The website, which has more than 70,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its quarterly newsletter is distributed to more than 1.5 million readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London.

In 2012, EDHEC-Risk Institute signed two strategic partnership agreements, with the Operations Research and Financial Engineering department of Princeton University to set up a joint research programme in the area of asset-liability management for institutions and individuals, and with Yale School of Management to set up joint certified executive training courses in North America and Europe in the area of risk and investment management.

As part of its policy of transferring know-how to the industry, EDHEC-Risk Institute has set up ERI Scientific Beta. ERI Scientific Beta is an original initiative which aims to favour the adoption of the latest advances in smart beta design and implementation by the whole investment industry. Its academic origin provides the foundation for its strategy: offer, in the best economic conditions possible, the smart beta solutions that are most proven scientifically with full transparency of both the methods and the associated risks.

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