The regulation of financial benchmarks

Campuzano, N.A.

E.M. MEIJERS INSTITUUT
INSTITUUT VOOR RECHTSWETENSCHAPPELIJK ONDERZOEK

Financial benchmarks distill vast amounts of financial data into a single, usable value. Thus, they have developed as a vital tool for navigating the complexities of modern financial markets, particularly regarding the valuation of financial products and services. Financial benchmarks provide markets and their participants with many legal and economic benefits, such as reduced transaction costs, enhanced transparency and liquidity and increased financial innovation. However, the growing reliance on benchmarks is not without risks. For instance, benchmarks can be vulnerable to manipulation, as demonstrated by various scandals, such as those concerning LIBOR, forex, and commodity benchmarks.

This dissertation examines the dual nature of financial benchmarks: their indispensable role in modern markets and their risks. It questions whether regulatory responses of the EU and the US to the manipulation scandals just mentioned adequately address the significance and risks of benchmarks. Through a detailed analysis of current regulatory frameworks, this book offers a comprehensive exploration of the concept, functions, benefits, and risks of financial benchmarks. It critically evaluates existing regimes, formulates a framework for an ideal regulatory approach, and proposes amendments to the current regimes for a more balanced, informed, and accurate approach to benchmark regulation. This research ultimately seeks to advance the legal and economic understanding of financial benchmarks and their regulation.

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