

Nationwide HOUSE PRICE INDEX



Statement regarding IOSCO Principles

Introduction

The "Principles for Financial Benchmarks" were published by the International Organization of Securities Commissions ("IOSCO") on 17 July 2013 ("Principles") in order to regulate the setting of benchmarks in financial markets. Where administrators of financial benchmarks fall within the scope of the Principles, it has been recommended that the Principles be implemented as soon as possible. Benchmark administrators should then publicly disclose the extent of their compliance with the Principles annually. If implementation deviates from the Principles, then the administrator should explain why it believes that its practices meet the objectives and functions of the Principles, including the extent they are relying on a proportionate view of the Principles.

Nationwide Building Society ("NBS") is the administrator of the Nationwide House Price Index (the "NHPI"). As the NHPI is based on information obtained from NBS's own mortgage business, and is published for information only without any intended commercial application, NBS considers that NHPI is not a benchmark for the purposes of section 22(6)(c) of the Financial Services and Markets Act 2000, or as defined in the Appendix to the Principles. However, NBS has reviewed its arrangements regarding the publication of the NHPI as against the Principles as a matter of good practice and governance.

The Principles

NBS believes that its policies and procedures in relation to the establishment, operation and oversight of the NHPI are in accordance with a proportionate implementation of the Principles. The basis for this conclusion is outlined below.

As the NHPI is determined on the basis of information derived from NBS's retail mortgage business and does not rely on submissions from third parties, the guidance in the Principles in relation to Benchmarks based on Submissions is not applicable to the NHPI.

What governance arrangements does the NHPI have?

NBS administers the NHPI and has ensured that appropriate governance arrangements are in place to protect the integrity of NHPI. This framework is set out in full in the Business and Risk Report in NBS's Annual Report & Accounts. NBS uses the NHPI for its own internal purposes, including in relation to credit risk, capital management and marketing. Arrangements are in place to ensure the appropriate separation of functions. A policy is in place to ensure that any conflicts of interest in relation to the NHPI are managed.

NBS has in place an internal oversight function to manage all aspects of risk, based around the 'Three Lines of Defence' model. First, Nationwide employees are responsible for the risks that are a part of their daily jobs; second, independent functions within the Risk Management Division are responsible for providing oversight and challenge of activities conducted in the first line; and third, Group Internal Audit provides independent assurance over the first and second lines of defence. Further details are contained in the Business and Risk Report in NBS's Annual Report & Accounts.

What arrangements are there in place to assess the quality of the NHPI and the NHPI Methodology?

NBS has in place procedures intended to promote the quality and integrity of NHPI determinations, which includes analysis of the NBS share of the mortgage market on which the NHPI is based ("NHPI Methodology"). The NHPI Methodology is available [here](#), and changes to the NHPI Methodology will be published periodically. NBS does not consult on changes to its methodology and considers that this is appropriate and proportionate given the nature of the index.

What arrangements are in place for accountability?

NBS has a written complaints procedure policy. Persons may submit complaints regarding the NHPI determination [here](#). Governance and control of the NHPI is subject to periodic audit by NBS Group Internal Audit.