S&P Dow Jones Indices

A Division of S&P Global

CONSULTATION

S&P Risk Premia Rates Indices Consultation on Rate Replacements

NEW YORK, NOVEMBER 15, 2021: S&P Dow Jones Indices ("S&P DJI") is conducting a consultation with market participants on potential changes to the S&P Risk Premia Rates Indices. As a result of the cessation of certain London Interbank Offered Rates ("LIBOR"), S&P DJI is proposing to replace the current rates used for the calculation of rebalancing weights. Two options are under consideration and are outlined in the table below:

	Proposed Replacement Rates	
Current Rates	**Option 1**	**Option 2**
US Dollar 3M ICE LIBOR	3M US Treasury Rate	SOFR Overnight or Compounded SOFR + Fixed Spread (internally calculated)[1]
Canadian Dollar 3M Interest Rate Fixing CAD	3M Canada Treasury Rate	3M Canada Treasury Rate
UK Pound Sterling 3M ICE LIBOR	3M UK Treasury Rate	3M UK Treasury Rate
EURO 3M EURIBOR	3M German Treasury Rate	EURO 3M EURIBOR
Japanese Yen 3M ICE LIBOR	3M Japan Treasury Rate	3M TIBOR
EURO 3M EURIBOR	3M France Treasury Rate	EURO 3M EURIBOR

Note: The AUD 3M Bank Bill Rate utilized currently in the indices will remain and therefore will not be replaced.

RATE USAGE BACKGROUND

Two indices of the family, the S&P Risk Premia Rates Carry Index and the S&P Risk Premia Rates Value (Spread-Reversion) Index, both use interbank rates such as LIBOR to calculate a Yield Spread within the rebalance process. The Yield Spread is calculated as: the 10-year on-the-run government bond yield *minus* the three-month interest rate.

The S&P Risk Premia Rates Carry Index maintains long allocations in the three futures contracts with the highest Yield Spread and short allocations in the three futures contracts with the lowest Yield Spread.

The S&P Risk Premia Rates Value (Spread-Reversion) Index maintains long allocations in the three futures contracts with the highest z-scores and short allocations in the three futures contracts with the lowest z-scores. The z-scores are calculated using the Yield Spread with respect to its one-Year history.

IMPLEMENATION TIMING

S&P DJI is proposing to implement the previously described changes, if adopted, in conjunction with the November 2021 monthly rebalancing, which takes effect prior to the open on Wednesday, December 1, 2021. If adopted, the changes will first be visible to clients in proforma files beginning on Friday, November 26, 2021.

[1] The replacement for 3M USD LIBOR will either be SOFR Overnight or a Compounded SOFR + Fixed Spread-based rate with a median of the spread between LIBOR and Compounded SOFR over a one-year lookback period up to October 29, 2021 for the three-month setting.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. **Which replacement rate option do you prefer?**
   - **Option 1: Transition all the current Interbank Rates to the respective Treasury Rates?**
   - **Option 2: Transition all the current Interbank Rates to a mix of Interbank and Treasury Rates?**
2. **Should any of the proposed changes be adopted, do you agree with the proposed implementation date?**
3. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **November 19, 2021**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available here.

For further information about this consultation, please contact S&P Dow Jones Indices at SPDJI_Index_Governance@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit *www.spdji.com*.

FOR MORE INFORMATION:

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