

Zug, August 16th, 2021

# Market Consultation on changes to STOXX and DAX indices comprising London Interbank Offered Rates (LIBOR) and Overnight Index Swaps (OIS)

Dear Sir and Madam,

STOXX Ltd., the operator of Qontigo's index business and a global provider of innovative and tradable index concepts, has decided to conduct a market consultation on changes to STOXX and DAX indices comprising London Interbank Offered Rates (LIBOR) and Overnight Index Swaps (OIS).

### Motivation for the Market Consultation

Regulators and the financial industry started moving away from panel-based Risk-Free Rates (RFR) to transaction-based RFRs, which is affecting most of the developed market currencies. At the end of 2021, EUR, GBP, CHF, and JPY LIBOR rates are going to be discontinued, while most of the USD LIBOR tenors will be discontinued mid-2023:

- > Various regulators introduced their proposals for replacing Overnight and Term LIBORs.
- > Today, there is no consensus on what the replacement for the term USD LIBORs should be and the relevant rates will be calculated until June 2023.
- > OIS are calculated based on the overnight rates and would also be affected by the transition to the new RFRs.

In consideration of the planned discontinuation of LIBORs, STOXX must determine appropriate substitutes for its indices that currently make use of LIBORs.

# Affected Indices

The relevant interest rates for the STOXX index calculations are:

Currently used rate	Affected indices
EUR 1Y OIS	EUR-denominated STOXX/DAX Daily Leveraged indices
GBP O/N LIBOR	STOXX UK Leveraged/Risk-control indices
GBP 1M LIBOR	iSTOXX RiskFirst LDI Indices
USD 1Y LIBOR	USD-denominated STOXX Daily Leveraged indices
USD 1Y OIS	USD-denominated STOXX Daily Leveraged indices
USD O/N LIBOR	STOXX USD-Denominated Leveraged/Risk-control indices
	EURO STOXX 50 Quanto Futures indices

LIBORs are used in STOXX indices for a multitude of purposes, such as returns on a cash position, interest rate interpolation as well as liquidity adjustment.

OIS rates are used in STOXX and DAX indices for the calculation of liquidity adjustment in leveraged indices.



# **Proposed Treatments/Amendments**

#### **Calculation timeline:**

- > November 8th, 2021 is the proposed switch date, wherever applicable.
- > STOXX is aiming to use the last available rate at the time of the index configuration in the index calculation.

## **Proposed replacements:**

Currently used rate	Proposed replacement
EUR 1Y OIS	Euro Short-Term Rate (€STR)-based 1Y OIS rate
GBP O/N LIBOR	Sterling Over Night Index Average (SONIA)
GBP 1M LIBOR	Sterling Over Night Index Average (SONIA)
USD 1Y LIBOR	to be decided later
USD 1Y OIS	Secured Overnight Financing Rate (SOFR)-based 1Y OIS rate
USD O/N LIBOR	Secured Overnight Financing Rate (SOFR)

# Questions

- 1. Which STOXX and/or DAX indices comprising LIBORs and OIS rates do you use?
- 2. For which purpose do you currently use such indices?
- 3. Please indicate your opinion with regards to the proposal.
- 4. In case you disagree with the recommended solution, please elaborate why, and indicate your preference.
- 5. Do you have any additional comments?

## **Process and Timeline**

STOXX invites market participants to submit responses to the above questions via e-mail to: <a href="mailto:consultation@stoxx.com">consultation@stoxx.com</a>

The consultation remains open for submission until August 27th, 2021.

STOXX intends to publish the results of the market consultation on September 8th, 2021.