

Market consultation

The FTSE Russell logo consists of a light blue circle containing the text "FTSE" on the top line and "Russell" on the bottom line, both in white, sans-serif font.

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# FTSE Russell client consultation on LIBOR and EONIA replacement

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## Introduction

The Financial Stability Board (FSB) is leading the reforms for major interest rate benchmarks and to reduce reliance on inter-bank offered rates (IBORs).

The volumes in the underlying IBORs have been decreasing since 2008 and the measure is no longer liquid. There also have been controversies/concerns about the reliability and robustness of these rates.

The UK's Financial Conduct Authority (FCA) has said that it will no longer persuade or compel banks to make London Inter-Bank Offered Rate (LIBOR) submissions after the end of 2021 and market participants should not rely on its continued availability beyond that date.

FTSE Russell has live index products that use the overnight and term IBORs that could be directly impacted by interest rate benchmark reform.

Given the above FTSE Russell will like to set out a transition roadmap for LIBOR and EONIA. In this respect we invite market participant and index users' views for the transition away from these rates to alternative overnight and term rates.

## Responding to the consultation

The proposals set out in this consultation document are included in order to gather feedback and may or may not result in changes to our indexes or data solutions.

Index users and other stakeholders are invited to respond by 30 June 2020. The responses will be reviewed by the FTSE Russell Product Governance Board and an update on FTSE Russell's proposed approach will be communicated.

Please submit your response to the questions included in this consultation online at <https://www.surveymonkey.co.uk/r/T9JYTBZ>

All responses will be treated as confidential. FTSE Russell may publish a summary of the consultation results, but no individual responses will be published and no respondents will be named.

If you have any questions about this survey, or if you encounter any technical issues, please contact [rpawson@ftserussell.com](mailto:rpawson@ftserussell.com).

## Interest rates to consider

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FTSE Russell intends to consult on the rates listed below in table 1

**Table 1**

Category	Issue
LIBOR	Term LIBOR rates are used to apply a liquidity spread – the difference between the 12 month LIBOR and the 12 month OIS rate – in FTSE Russell’s leveraged indexes Term LIBOR rates may no longer be available after the end of 2021
EONIA	From 2 <sup>nd</sup> October 2019, EONIA was defined as €STR + 8.5 bps. EONIA will be discontinued after the end of 2021



## Transition consultation questions

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1. In order to reflect the wider spreads between the interbank and the swap market rates post June 2007, a liquidity spread (difference between the twelve month interbank interest rate and the 12 month overnight indexed swap rate), was introduced in the FTSE Russell leveraged indexes. Do you believe that the liquidity spread is still relevant?

Yes

No

Please enter your comments here:

2. If you answered "Yes" to Question 1, what alternative rates (or methodologies) should LIBOR be replaced with given that no successor rates have yet been formally announced (or a methodology yet defined)?

Please enter your comments here:

3. If you answered "Yes" to Question 1, what approximate timelines would be appropriate for the transition within FTSE Russell indexes?

Q4 2020



- Q1 2021
- Q2 2021
- Q3 2021
- Other – please comment below

4. If you answered “No” to Question 1, what approximate timelines would be appropriate for excluding the liquidity spread from the leveraged indexes?

- Q4 2020
- Q1 2021
- Q2 2021
- Q3 2021
- Other – please comment below



5. After the end of 2021 should FTSE Russell continue with EONIA being calculated according to the current methodology of €STR + 8.5 bps? Note: major central counterparties have set the discounting switch date on or around 22 June 2020.

Yes

No

Please enter your comments here:

6. If you answered “No” to Question 5, what approximate timelines would be appropriate for the replacement with €STR?

Q4 2020

Q1 2021

Q2 2021

Q3 2021

Other – please comment below



7. Please provide any additional comments

Please enter your comments here:

## Your details

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In this section we will like to know a bit more about your firm and the way in which you use the FTSE Russell short and leveraged indexes.

All responses will be treated as confidential.

8. Please enter your details below

Company name:

Your name:

Email address:

Job title:

City:

Country:

9. Do you use FTSE Russell indexes or data in your investment process?

Yes

No

Don't know

N/A



10. How do you use FTSE Russell indexes? Please select all that apply.

Issuance of financial instruments referencing an index	<input type="checkbox"/>
Determination of amounts payable under a financial instrument or financial contract referencing an index	<input type="checkbox"/>
Being party to a financial contract referencing an index	<input type="checkbox"/>
Providing a borrowing rate calculated as a spread/mark-up over an index	<input type="checkbox"/>
Determining performance of an investment fund using an index for the purpose of tracking the return of such fund, defining asset allocation or computing performance fees	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>

11. Which of the following best describes your business sector?

Academic	<input type="checkbox"/>
Asset manager (predominantly active)	<input type="checkbox"/>
Asset manager (predominantly passive)	<input type="checkbox"/>
Asset owner	<input type="checkbox"/>
Corporate advisory/consultant	<input type="checkbox"/>
ETF/ETP	<input type="checkbox"/>
Investment consultant	<input type="checkbox"/>
Sell-side broker	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>

12. Which of the following best describes your role?

Portfolio Management: Run a portfolio or supports the portfolio manager	<input type="checkbox"/>
Product/Research: Conduct research or manages/develops product	<input type="checkbox"/>
Manager Research: Select and evaluates managers	<input type="checkbox"/>
Consultant to institutional clients	<input type="checkbox"/>
Marketing/Attribution: Use Index data for marketing purposes or attribution analysis	<input type="checkbox"/>
Risk Management: Analyse and manages market exposures and risks	<input type="checkbox"/>
Data Redistribution: Distribute index data to clients	<input type="checkbox"/>
Market Data: Purchase index data, not a direct user	<input type="checkbox"/>
Trading	<input type="checkbox"/>
Compliance	<input type="checkbox"/>
Lending	<input type="checkbox"/>
Stewardship	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>





13. Please indicate which FTSE Russell short and leveraged indexes you use. Please use the table in the Appendix to record your answers.
14. AUM specific to the FTSE Russell short and leveraged indexes. Please use the table in the Appendix to record your answers.

## Appendix

### List of short and leveraged indices

Index Code	Index Name	Index Type	Used ?	AUM (USD millions)
FMIBI1X	FTSE MIB Daily Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
FMIBI2X	FTSE MIB Daily Super Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
FMIBI3X	FTSE MIB Daily Ultra Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
FMIBI5X	x5 Daily Short Strategy FTSE MIB RT Gross TR Index	Short	<input type="checkbox"/>	
FMIBL2X	FTSE MIB Daily Leveraged RT Net-of-Tax (Lux) TR Index	Leveraged	<input type="checkbox"/>	
FMIBL3X	FTSE MIB Daily Super Leveraged RT Net-of-Tax (Lux) TR Index	Leveraged	<input type="checkbox"/>	
FMIBL4X	FTSE MIB Daily Ultra Leveraged RT Net-of-Tax (Lux) TR Index	Leveraged	<input type="checkbox"/>	
FMIBL5X	x5 Daily Leveraged FTSE MIB Daily RT Net-of-Tax (Lux) TR Index	Leveraged	<input type="checkbox"/>	
UKXI1X	FTSE 100 Daily Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
UKXI2X	FTSE 100 Daily Super Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
UKXI3X	FTSE 100 Daily Ultra Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
UKXI5X	x5 Daily Short Strategy FTSE 100 RT Gross TR Index	Short	<input type="checkbox"/>	
UKXL2X	FTSE 100 Daily Leveraged RT TR Index	Leveraged	<input type="checkbox"/>	
UKXL3X	FTSE 100 Daily Super Leveraged RT TR Index	Leveraged	<input type="checkbox"/>	
UKXL4X	FTSE 100 Daily Ultra Leveraged RT TR Index	Leveraged	<input type="checkbox"/>	
UKXL5X	x5 Daily Leveraged FTSE 100 RT TR Index	Leveraged	<input type="checkbox"/>	
MCXI1X	FTSE 250 Daily Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	

MCXI2X	FTSE 250 Daily Super Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
MCXI3X	FTSE 250 Daily Ultra Short Strategy RT Gross TR Index	Short	<input type="checkbox"/>	
MCXL2X	FTSE 250 Daily Leveraged RT TR Index	Leveraged	<input type="checkbox"/>	
MCXL3X	FTSE 250 Daily Super Leveraged RT TR Index	Leveraged	<input type="checkbox"/>	
MCXL4X	FTSE 250 Daily Ultra Leveraged RT TR Index	Leveraged	<input type="checkbox"/>	
SLQUSS1	FTSE USA Large Cap Super Liquid Daily Short Index	Short	<input type="checkbox"/>	
SLQUSS2	FTSE USA Large Cap Super Liquid 2x Daily Short Index	Short	<input type="checkbox"/>	
SLQUSS3	FTSE USA Large Cap Super Liquid 3x Daily Short Index	Short	<input type="checkbox"/>	
SLQUSL2	FTSE USA Large Cap Super Liquid 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQUSL3	FTSE USA Large Cap Super Liquid 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQUSL4	FTSE USA Large Cap Super Liquid 4x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQUKMS1	FTSE UK Mid Cap Super Liquid Daily Short Index	Short	<input type="checkbox"/>	
SLQUKMS2	FTSE UK Mid Cap Super Liquid 2x Daily Short Index	Short	<input type="checkbox"/>	
SLQUKMS3	FTSE UK Mid Cap Super Liquid 3x Daily Short Index	Short	<input type="checkbox"/>	
SLQUKML2	FTSE UK Mid Cap Super Liquid 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQUKML3	FTSE UK Mid Cap Super Liquid 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQUKML4	FTSE UK Mid Cap Super Liquid 4x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQJPLS1	FTSE Japan Large Cap Super Liquid Daily Short Index	Short	<input type="checkbox"/>	
SLQJPLS2	FTSE Japan Large Cap Super Liquid 2x Daily Short Index	Short	<input type="checkbox"/>	

SLQJPLS3	FTSE Japan Large Cap Super Liquid 3x Daily Short Index	Short	<input type="checkbox"/>	
SLQJPLL2	FTSE Japan Large Cap Super Liquid 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQJPLL3	FTSE Japan Large Cap Super Liquid 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQSPS1X	FTSE Spain Super Liquid Daily Short Index	Short	<input type="checkbox"/>	
SLQSPS2X	FTSE Spain Super Liquid 2x Daily Short Index	Short	<input type="checkbox"/>	
SLQSPS3X	FTSE Spain Super Liquid 3x Daily Short Index	Short	<input type="checkbox"/>	
SLQSPL2X	FTSE Spain Super Liquid 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
SLQSPL3X	FTSE Spain Super Liquid 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
FMIBI1	FTSE MIB Short Strategy Index	Short	<input type="checkbox"/>	
FMIBI2	FTSE MIB Daily Super Short Strategy Index	Short	<input type="checkbox"/>	
FMIBL2	FTSE MIB Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
UKXI2	FTSE 100 Daily Super Short Strategy Index	Short	<input type="checkbox"/>	
UKXL2	FTSE 100 Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
BRICUS1X	FTSE BRIC 50 Daily Short Index	Short	<input type="checkbox"/>	
BRICUS2X	FTSE BRIC 50 2x Daily Short Index	Short	<input type="checkbox"/>	
BRICUS3X	FTSE BRIC 50 3x Daily Short Index	Short	<input type="checkbox"/>	
BRICUL2X	FTSE BRIC 50 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
BRICUL3X	FTSE BRIC 50 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
UKXS	FTSE 100 Short Index	Short	<input type="checkbox"/>	
DXNAL1QX	FTSE Developed Ex NA 1.25x Daily Leveraged No Spread Index	Leveraged	<input type="checkbox"/>	
FTEML1QX	FTSE Emerging 1.25x Daily Leveraged No Spread Index	Leveraged	<input type="checkbox"/>	
USCSLS1X	FTSE USA Small Cap Super Liquid Daily Short Index	Short	<input type="checkbox"/>	

USCSLS2X	FTSE USA Small Cap Super Liquid 2x Daily Short Index	Short	<input type="checkbox"/>	
USCSLS3X	FTSE USA Small Cap Super Liquid 3x Daily Short Index	Short	<input type="checkbox"/>	
USCSLL2X	FTSE USA Small Cap Super Liquid 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
USCSLL3X	FTSE USA Small Cap Super Liquid 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
XIN0US1X	FTSE China 50 Daily Short Index	Short	<input type="checkbox"/>	
XIN0US2X	FTSE China 50 2x Daily Short Index	Short	<input type="checkbox"/>	
XIN0US3X	FTSE China 50 3x Daily Short Index	Short	<input type="checkbox"/>	
XIN0UL2X	FTSE China 50 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
XIN0UL3X	FTSE China 50 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
WIJPNS1X	FTSE Japan Daily Short Index	Short	<input type="checkbox"/>	
WIJPNS2X	FTSE Japan 2x Daily Short Index	Short	<input type="checkbox"/>	
WIJPNS3X	FTSE Japan 3x Daily Short Index	Short	<input type="checkbox"/>	
WIJPNL2X	FTSE Japan 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
WIJPNL3X	FTSE Japan 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
FCNACS1X	FTSE N Share Daily Short Index	Short	<input type="checkbox"/>	
FCNACS2X	FTSE N Share 2x Daily Short Index	Short	<input type="checkbox"/>	
FCNACS3X	FTSE N Share 3x Daily Short Index	Short	<input type="checkbox"/>	
FCNACL2X	FTSE N Share 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
FCNACL3X	FTSE N Share 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
FTGMIS1X	FTSE Gold Mines Daily Short Index	Short	<input type="checkbox"/>	
FTGMIS2X	FTSE Gold Mines 2x Daily Short Index	Short	<input type="checkbox"/>	
FTGMIS3X	FTSE Gold Mines 3x Daily Short Index	Short	<input type="checkbox"/>	
FTGMIL2X	FTSE Gold Mines 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	

FTGMIL3X	FTSE Gold Mines 3x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
FTSTIS1X	STI Daily Short Index	Short	<input type="checkbox"/>	
FTSTIS2X	STI 2x Daily Short Index	Short	<input type="checkbox"/>	
FTSTIS3X	STI 3x Daily Short Index	Short	<input type="checkbox"/>	
FTSTIL2X	STI 2x Daily Leverage Index	Leveraged	<input type="checkbox"/>	
FTSTIL3X	STI 3x Daily Leverage Index	Leveraged	<input type="checkbox"/>	
EMNLL1QX	FTSE Emerging Net Tax (US RIC) 1.25x Daily Leveraged No Spread LIBOR Index	Leveraged	<input type="checkbox"/>	
DXUSL1QX	FTSE Developed ex US All Cap Net Tax (US RIC) 1.25x Daily Leveraged No Spread Index	Leveraged	<input type="checkbox"/>	
XUSLL1QX	FTSE Developed ex US All Cap Net Tax (US RIC) 1.25x Daily Leveraged No Spread LIBOR Index	Leveraged	<input type="checkbox"/>	
FTKLPL2X	FTSE Bursa Malaysia KLCI 2x Daily Leveraged (Price) Index	Leveraged	<input type="checkbox"/>	
FTKLPS1X	FTSE Bursa Malaysia KLCI Daily Short (Price) Index	Short	<input type="checkbox"/>	
R2000S1X	Russell 2000 Daily Short Index	Short	<input type="checkbox"/>	
R2000S2X	Russell 2000 2x Daily Short Index	Short	<input type="checkbox"/>	
R2000L2X	Russell 2000 2x Daily Leveraged Index	Leveraged	<input type="checkbox"/>	
UKXDL2X	FTSE 100 2x Daily Leveraged (Declared Dividend) Index	Leveraged	<input type="checkbox"/>	

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