



IHS Markit™

IHS Markit Consultation Data substitution for UBS LTA and DSI index families

08 March, 2017

1. IHS Markit's Administration

IHS Markit is the sole Administrator of a number of UBS indices. The list of UBS indices currently administered by IHS Markit can be found [here](#).

IHS Markit administers these indices in accordance with the International Organisation of Securities Commissions Principles for Financial Benchmarks (the "IOSCO Principles")

2. Background

IHS Markit is the Index Administrator of the UBS DSI and LTA Index families (the "DSI and LTA Indices"). The DSI and LTA Indices are also calculated by IHS Markit on a daily basis.

Index Family	Index Name	Ticker
DSI	UBS Diversified Strategy Index	MLTADSI
DSI	UBS-DSI T6 Index	MLTADSI6
DSI	UBS Diversified Strategy Index EUR	MLTADSIE
DSI	UBS DSI USD Total Return Index	MLTADSIU
DSI	UBS Volatility Targeted Diversified Strategy Index	MLTADSV
LTA	UBS Liquid Transparent Alpha Composite Excess Return (EUR)	MLTACER
LTA	UBS Liquid Transparent Alpha Composite Total Return (EUR)	MLTACTR
LTA	UBS Liquid Transparent Alpha Total Return (EUR)	MLTATR

Some of the key inputs into the determination of the DSI and LTA Indices are the UBS V24, G10 and COVERED CALLS BW index families (the "Input Indices"). IHS Markit also calculates and administers the Input Indices.

However, UBS also runs internal calculations of the Input Indices and IHS Markit has been using those calculations as submissions to the DSI and LTA Indices.

Index Family	Index Name	Ticker (IHS Markit)	Ticker (UBS)	UBS submission into
V24	UBS V24 Carry Total Return Index (EUR)	UISFV24T	ULTAV24T	LTA
V24	UBS V24 Carry Excess Return Index (EUR)	UISFV24	UBCIV24	DSI
G10	UBS G10 FX Carry Excess Return Index	UISFG10E	UBCIG10	LTA
COVERED CALLS BW	UBS American Buy-Write Index (EUR)	UISEABW	ULTAABW	LTA
COVERED CALLS BW	UBS Europe Buy-Write Index (EUR)	UISEEBW	ULTAEBW	LTA

3. Proposal

IHS Markit is considering using its calculation of the Input Indices as the submissions to the DSI and LTA Indices.

4. Analysis and conclusion

When IHS Markit took over Administration and Calculation of the Input Indices from UBS, changes were made to better reflect the economic interest the Input Indices sought to measure. Those changes have been implemented previously and are detailed below by Input Index.

Comparison of our calculation of the Input Indices against the UBS calculations is provided in the Appendix of this Consultation.

Note, all UBS indices were rebased to 100, from the relevant index base date.

V24

- Changes in the historic values of FX forward rates, moving from UBS internally calculated Forwards to interpolated WM rates.
- Changes to the index methodology
 - > Data snap time changes
 - > Forward calculation methodology
 - > Discount Factor calculation methodology
 - > Ranking Criteria
- Changes in the indicators, where IHS Markit is now using the indicator UISFFXVF.

G10

- Changes in the historic values of FX forward rates, moving from UBS internally calculated Forwards to interpolated WM rates.
- Changes to the index methodology
 - > Data snap times
 - > Forward calculation methodology
 - > Discount factor calculation methodology

- Changes in the indicators, we are now using the indicator UISFFXRI

COVERED CALLS BW

- Changes in the historic values of the option values between TR and BBG.
- Changes in the index methodology regarding the Daily snaps from 4:30pm to Close Level.
- Changes in the manual regarding the Rebalance Snap time to 3pm.

IHS Markit believes that using its calculation of the Input Indices will enhance the quality of the LTA and DSI Indices as well as the transparency and control of their determination.

The proposal has been considered and approved by the Index Administration Committee, subject to consultation with stakeholders.

5. Consultation timetable

The timetable IHS Markit is suggesting is as follows:

- 08th March 2017 – Consultation opens
- 30th March 2017 – Consultation closes
- 06th April – Index Administration Committee reviews stakeholder's feedback and final decision is communicated
- Beginning of May (assuming proposed change is confirmed) – The DSI and LTA Indices begin using the Input Indices as calculated by IHS Markit.

6. Consultation process

The participation of stakeholders in this consultation is important as IHS Markit seeks to gather views on the proposals herein and the suggested timetable for implementation of those proposals. IHS Markit may publish summaries of stakeholders' comments along with IHS Markit's responses to those comments unless the stakeholder in question expressly requests confidentiality.

To participate in this consultation please respond to IHS Markit Index Administration Services at MK-IndexAdminConsultation@markit.com.

Please be advised that all comments will be reviewed and considered before a final decision is made; however, IHS Markit makes no guarantee and is under no

obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. An announcement will be posted on our website accordingly. IHS Markit reserves the right to make a final decision on the proposal, and this will be ratified by the Index Administrator Committee and, if appropriate, Markit's Benchmark Oversight Committee.

7. Key questions

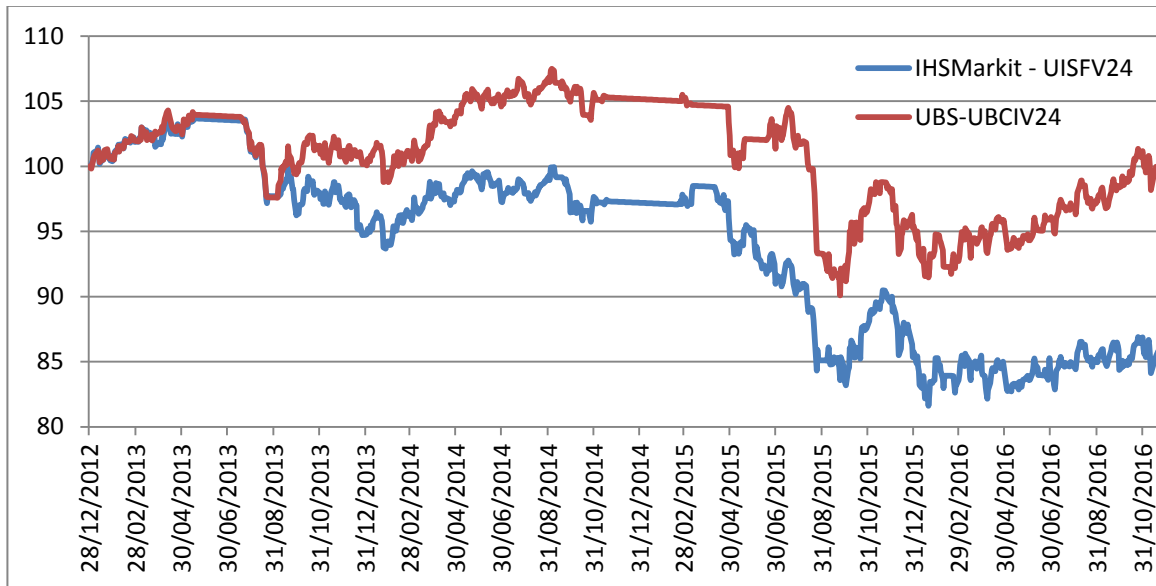
Do you have any concerns regarding IHS Markit's proposal to use its calculation of the Input Indices as an input to DSI and LTA Indices?

8. Appendix

A comparison of the Input Indices as calculated by UBS and those calculated by IHS Markit is presented below.

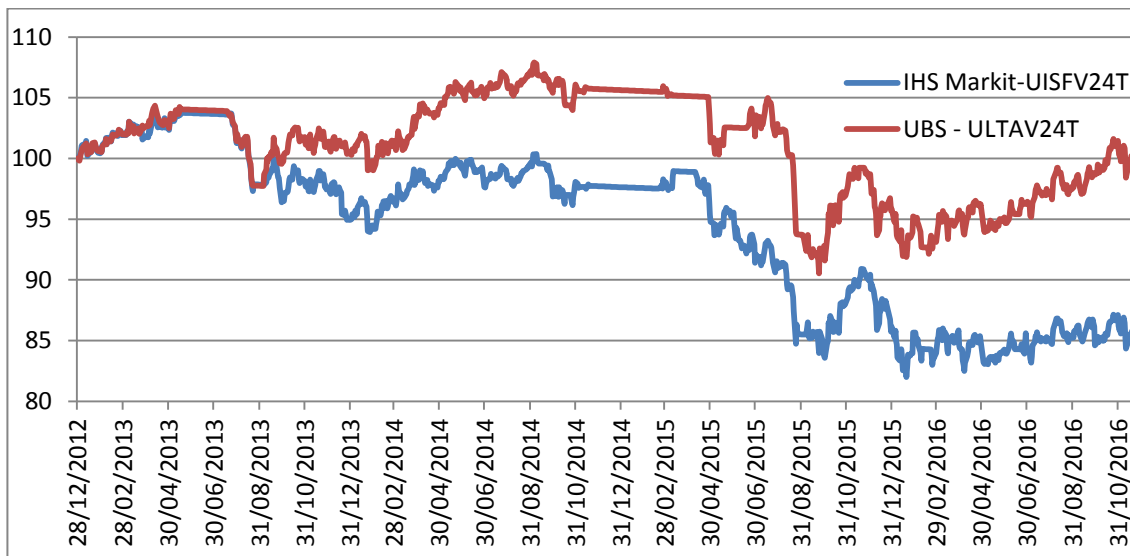
V24 - UBS V24 Carry Excess Return Index (EUR)

IHS Markit vs UBS (UISFV24 vs UBCIV24)



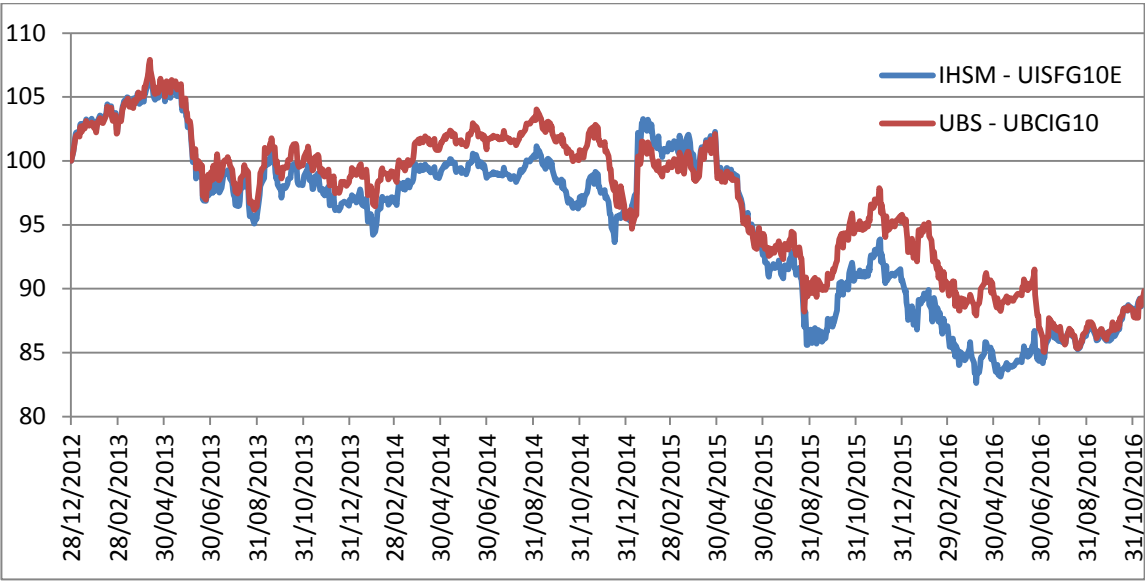
V24 - UBS V24 Carry Total Return Index (EUR)

IHS Markit vs UBS (UISFV24T vs ULTAV24T)



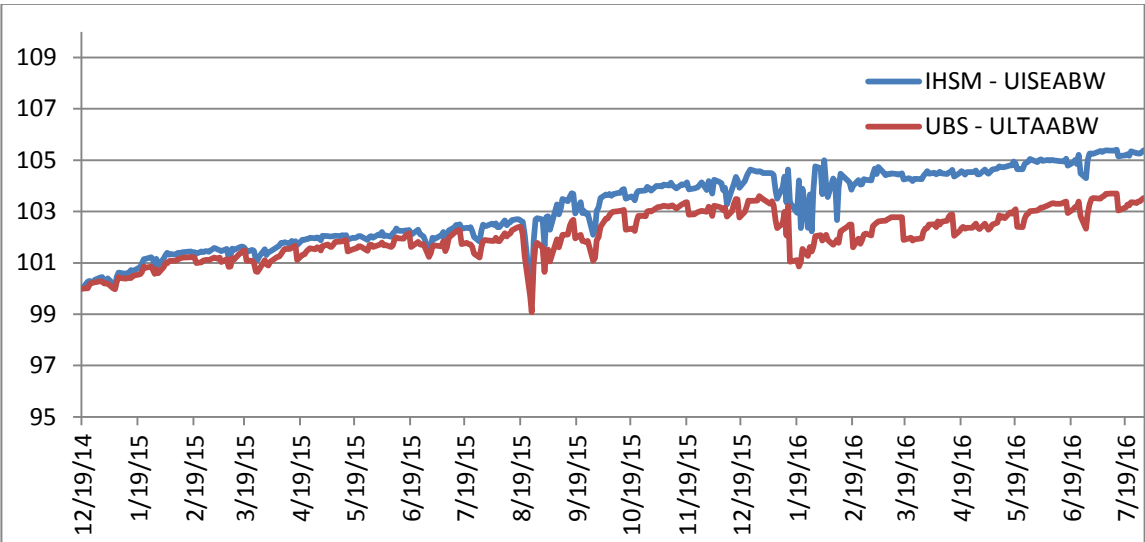
G10 - UBS G10 FX Carry Excess Return Index

IHS Markit Vs UBS (UISFG10E vs UBCIG10)



COVERED CALLS BW - UBS American Buy-Write Index (EUR)

IHS Markit Vs UBS (UISEABW vs ULTAABW)



COVERED CALLS BW - UBS Europe Buy-Write Index (EUR)

IHS Markit Vs UBS: UISEEBW vs ULTAEBW

