



IHS Markit™

# IHS Markit Consultation Methodology change for the UBS Treasury Indices

10 August, 2017

## 1. IHS Markit's Administration

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IHS Markit is the sole Administrator (as defined by the International Organisation of Securities Commissions Principles for Financial Benchmarks - the "IOSCO Principles") 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 "IOSCO Principles".

## 2. Background

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IHS Markit is the Administrator the below UBS Treasury indices (the "UBS Treasury Indices"):

Index Family	Index Name	Ticker
TREASURY	UBS 10Y French Bond Daily Total Return Index	MLTAF10D
TREASURY	UBS 10Y German Bond Total Return Index Manual	MLTAG10D
TREASURY	UBS 30Y German Bond Total Return Index Manual	MLTAG30D
TREASURY	UBS 2Y German Bond Total Return Index Manual	MLTAGB2D
TREASURY	UBS 5Y German Bond Total Return Index Manual	MLTAGB5D
TREASURY	UBS 10Y Italian Bond Total Return Index Manual	MLTAI10D
TREASURY	UBS 2Y Italian Bond Total Return Index Manual	MLTAIB2D
TREASURY	UBS 10Y US Treasuries Daily Total Return Index	MLTAU10D
TREASURY	UBS 10Y US Treasuries Excess Return Index	MLTAU10E
TREASURY	UBS 20Y US Treasuries Daily Total Return Index	MLTAU20D
TREASURY	UBS 20Y US Treasuries Excess Return Index	MLTAU20E
TREASURY	UBS 25Y US Treasuries Daily Total Return Index	MLTAU25D
TREASURY	UBS 25Y US Treasuries Excess Return Index	MLTAU25E
TREASURY	UBS 2Y US Treasuries Daily Total Return Index	MLTAUS2D
TREASURY	UBS 2Y US Treasuries Excess Return Index	MLTAUS2E
TREASURY	UBS 5Y US Treasuries Daily Total Return Index	MLTAUS5D
TREASURY	UBS 5Y US Treasuries Excess Return Index	MLTAUS5E
TREASURY	UBS 10Y French Bond Excess Return Index	MLTAF10E
TREASURY	UBS 10Y German Bond Excess Return Index	MLTAG10E
TREASURY	UBS 30Y German Bond Excess Return Index	MLTAG30E
TREASURY	UBS 2Y German Bond Excess Return Index	MLTAGB2E

TREASURY	UBS 5Y German Bond Excess Return Index	MLTAGB5E
TREASURY	UBS 10Y Italian Bond Excess Return Index	MLTAI10E
TREASURY	UBS 2Y Italian Bond Excess Return Index	MLTAIB2E

The UBS Treasury Indices reflect the performance of a rolling long investment in the relevant bond future. In accordance with the methodology, on a defined “Future Roll Date” in each quarter the relevant front bond future contract in each of the UBS Treasury Indices shall be systematically unwound and proceeds re-invested into the second bond future contract.

Currently, Future Roll Date is defined as:

US Indices: The third Friday in February, May, August and November

European Indices: The third Index Business Day in the months of March, June, September and December

The proposed change in this consultation is to the definition of the Future Roll Date.

### 3. Analysis and conclusion

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The definition for Future Roll Date between European indices and US indices are not consistent. The current definition of Future Roll Date for European indices does not guarantee a particular number of available trading days between quarterly Future Roll Dates and the last trading day of the relevant front bond future contract being rolled.

### 4. Proposal

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To ensure sufficient liquidity before the last trading day for the European indices (and to make the Future Roll Date definition consistent between US and European indices) IHS Markit proposes to amend the definition of Future Roll Date for the European and US UBS Treasury Indices to the following:

US Indices: Future Roll Date is defined as three Index Business Days before the Reference Date. The Reference Date is defined as the last Index Business Day in the month of February, May, August and November; and

European Indices: Future Roll Date is defined as five Index Business Days before the Reference Date. The Reference Date is defined as the 10<sup>th</sup> day of March, June, September and December (or the next Exchange Business Day following the 10<sup>th</sup> if

the 10<sup>th</sup> is not an Exchange Business Day). “Exchange Business Day” means, in respect of each Index Component, a Scheduled Trading Day for the exchanges or quotation systems on which trading of such Index Futures Component principally occurs, as determined by the Index Administrator and settlement prices are available.

## 5. Consultation timetable

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The timetable IHS Markit is suggesting is as follows:

- 10 August 2017 – Consultation opens
- 7 September 2017 – Consultation closes
- 7 September 2017 – The Index Administration Committee reviews stakeholders’ feedback and a decision is communicated to market
- 8 September 2017 – The earliest date for implementation of the proposed change.

## 6. Consultation process

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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](mailto: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 Administration Committee and, if appropriate, IHS Markit’s Benchmark Oversight Committee.

## 7. Key questions

**Do you object to IHS Markit's proposal to change the methodology of the UBS Treasury Indices as described in this consultation paper? If so, why?**

## 8. Appendix

Comparison between current and proposed methodology when used in the UBS Treasury Indices shows no material differences as summarised in this appendix. Back-test period was 04 January 2016 to 31 March 2017.

Ticker	New Level	Old Level	Diff	% Change
MLTAF10D	133.3152	133.3150	0.0001	0.00009%
MLTAG10D	324.3405	324.3402	0.0003	0.00009%
MLTAG30D	218.8216	218.8214	0.0002	0.00009%
MLTAGB2D	172.6712	172.6711	0.0002	0.00009%
MLTAGB5D	240.1995	240.1993	0.0002	0.00009%
MLTAI10D	166.4950	166.4949	0.0001	0.00009%
MLTAIB2D	127.5879	127.5878	0.0001	0.00009%
MLTAU10D	314.3649	314.6354	-0.2705	-0.08596%
MLTAU10E	205.1087	205.2848	-0.1761	-0.08580%
MLTAU20D	349.3066	349.3120	-0.0054	-0.00154%
MLTAU20E	227.8840	227.8869	-0.0029	-0.00127%
MLTAU25D	147.2741	147.4517	-0.1776	-0.12044%
MLTAU25E	145.4082	145.5836	-0.1754	-0.12051%
MLTAUS2D	136.7590	136.7394	0.0196	0.01430%
MLTAUS2E	113.0044	112.9881	0.0163	0.01441%
MLTAUS5D	261.9410	261.8863	0.0547	0.02089%
MLTAUS5E	170.7772	170.7410	0.0361	0.02116%
MLTAF10E	133.6905	133.6905	0.0000	0.00000%
MLTAG10E	223.7921	223.7921	0.0000	0.00000%
MLTAG30E	192.9061	192.9061	0.0000	0.00000%
MLTAGB2E	118.8930	118.8930	0.0000	0.00000%
MLTAGB5E	165.5951	165.5951	0.0000	0.00000%
MLTAI10E	164.4899	164.4899	0.0000	0.00000%
MLTAIB2E	126.6039	126.6039	0.0000	0.00000%