

Consultation

Methodology change for the RBC US Equity

Dynamic VRP Cap 2x Index

16 November 2021

1. IHS Markit's Administration

IHS Markit Benchmark Administration Limited (**IMBA UK**) is the sole Administrator of the RBC indices described in this document. IMBA UK administers these indices in accordance with the International Organisation of Securities Commissions Principles for Financial Benchmarks (the IOSCO Principles) and the UK Benchmarks Regulation (UK BMR).

2. Background

IMBA UK is the sole administrator of:

RBC US Equity Dynamic VRP Cap 2x Index - RBCEUVPU

(a full list of benchmarks administered by IMBA UK can be found [here](#)).

The index methodology currently utilizes the US Dollar 3 Month ICE LIBOR rate in its calculation. There is impetus from regulators to move away from the use of such rates. The publication of some of these rates will cease immediately after 31 December 2021.

The cessation in publication of LIBOR rates is described in the FCA announcement on the future cessation and loss of representativeness of the LIBOR benchmarks:

<https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

This consultation seeks to nominate a suitable alternative rate for use in determining the index values, to ensure its continued viability.

3. Consultation and Proposal

IMBA UK is conducting this consultation with interested parties on its intention to amend the methodologies of the indices as follows:

The index currently uses the **US Dollar 3 Month ICE LIBOR** rate for the daily calculation of the index levels.

The proposal is to replace the use of this rate directly with the USD alternative reference rate, the **Secured Overnight Funding Rate (SOFR)**.

The proposed change will be effective from an implementation date that will be communicated at a later time and will not affect the historical levels of the indices.

IMBA UK has conducted historical back tests since October 2020 using the proposed successor rate. Please refer to section 5 for details of how to contact IMBA UK for further information.

4. Consultation timetable

The timetable IMBA UK is suggesting is as follows:

- **16 Nov 2021** – Consultation opens
- **30 Nov 2021** – Consultation closes
- **1 Dec 2021** – The Index Administration Committee reviews stakeholders' feedback and makes a decision on course of action
- **TBC** – The proposed methodology changes are communicated and implemented

5. Consultation process

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

To participate in this consultation please respond to IMBA UK at:

MK-IndexAdminConsultation@ihsmarkit.com

All comments will be reviewed and considered before a final decision is made; however, IMBA UK 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. IMBA UK reserves the right to make a final decision on the proposal, and this will be ratified by the Index Administration Committee and, if appropriate, IMBA UK's Benchmark Oversight Committee.

6. Key question(s)

Do you agree with the proposal to change the methodology of the Index