



IHSMBAL Consultation

Methodology changes for the UBS STARC
T6

Commodity Index ER USD (UISKT6UE)

11 June 2019

1. IHS Markit's Administration

IHS Markit Benchmark Administration Limited (“IHSMBAL”) is the sole Administrator (as defined by EU Benchmark Regulation (“BMR”) and the International Organisation of Securities Commissions Principles for Financial Benchmarks (the “IOSCO Principles”) of a number of HSBC indices. The list of UBS indices currently administered by IHSMBAL can be found [here](#).

IHSMBAL administers these indices in accordance with the BMR and the IOSCO Principles.

2. Consultation and Proposal

IHSMBAL is conducting a consultation with interested parties on its intention to amend the methodology of the UBS STARC T6 Commodity Index ER USD Index (the "Index"). The consultation will close on 08 July 2019. Changes are proposed to better align the Index to the UCITS Directives.

Changes are described below.

Weights Caps changes

- All commodities except Heating Oil, Brent Crude and Light Crude will be subject to the following cap: $\min\{18\%, \text{existing cap}\}$. The new caps are specified in Appendix A.
- The Energy Commodities consisting of Heating Oil, Brent Crude and Light Crude are subject to a weight cap of 32%. This weight cap is applied as an additional constraint in the risk budgeting optimisation of the Index.

Introduction of an annual correlation check rule

A correlation check rule with regards to the definition of the Energy commodities will be introduced. Historically this rule does not impact the previous definition of the Energy Commodities (consisting of heating oil, Brent, WTI). However, Gas Oil and Natural gas are close to exceeding the threshold in the correlation check and therefore it is necessary to consider this rule going forward.

On the last Index Business Day of September each year, the rolling 250-day correlation between each of the Index Constituent pairs within the Energy Group are calculated for the past 1250 Index Business days. If 25% percent of the rolling 250-day correlation values within the 1250-day period exceed 80%, then that commodity pair is considered to be highly correlated and is defined as the same commodity for diversification purposes. These constituents would then be added to the Energy Commodities above, and be subject to defined cap limit, until the next Correlation check.

3. Consultation timetable

The timetable IHSMBAL is suggesting is as follows:

- 11 June 2019 – Consultation opens
- 8 July 2019 – Consultation closes
- 9 July 2019 – The Index Administration Committee reviews stakeholders' feedback and a decision is communicated to market
- 12 July 2019 – The proposed methodology changes are implemented on a going forward basis

4. Consultation process

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

To participate in this consultation please respond to IHSMBAL at MK-IndexAdminConsultation@markit.com.

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

5. Key question(s)

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

Do you agree to the proposed timetable for the methodology changes to be implemented?

6. Appendix A

Updated weight Caps are highlighted in red

Asset Type	Reuters Tickers	Underlying Exposure	Currency	Current Weight Cap	New Weight Cap
Commodity	.BCOMGO	Gas Oil	USD	30.00%	18.00%
Commodity	.BCOMSY	Soybeans	USD	20.00%	18.00%
Commodity	.BCOMCN	Corn	USD	20.00%	18.00%
Commodity	.BCOMHG	Copper	USD	20.00%	18.00%
Commodity	.BCOMAL	Aluminium	USD	20.00%	18.00%
Commodity	.BCOMGC	Gold (100 oz.)	USD	40.00%	18.00%
Commodity	.BCOMSI	Silver	USD	20.00%	18.00%