

# Consultation

Methodology changes for the LGIM Matching

Plus and Matching Core indices

22 July 2020

## 1. IHS Markit's Administration

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IHS Markit Benchmark Administration Limited ("IMBA UK") 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 Legal & General Investment Management ("LGIM") indices.

IMBA UK administers these indices as benchmarks in accordance with the BMR and the IOSCO Principles.

## 2. Background

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IMBA UK has been the sole administrator of the LGIM LDI indices listed in Appendix.I since January 2020 (see [list of benchmarks that are administered by IMBA UK.](#)).

Since the inception of the indices in January 2020, occurrences of valuation divergence between the index levels and the LGIM investment funds that seek to track them have been continually observed ("tracking error"). The extreme volatility observed in the first half of 2020 in the underlying markets had made differences especially pronounced and highlighted a requirement to solve the tracking error.

It has been identified that the indices use different curves and analytics processes to those used by the LGIM funds for valuation purposes. Additionally, the cash positions are also evaluated at different rates with different day count conventions. This consultation sets out measures to better align the index methodologies to their intended use and purpose.

## 3. Consultation and Proposal

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IMBA UK is conducting a consultation with interested parties on its intention to amend the methodologies of the LGIM Matching Plus and the Matching Core indices.

There are three proposed changes to be applied in differing combinations within the index families. The affected indices are listed in Appendix.I where it is detailed which changes will be applied to each index.

The proposed changes are:

1. Change the service used for curve dependent evaluations from:  
**IHS Markit OTCDD (OTC Derivative Data) – Curve and volatility data service**

<https://ihsmarkit.com/products/pricing-data-otc-derivatives-data.html>

to:

**IHS Markit PV (Portfolio Valuations) – Portfolio valuations service utilising data and analytics, with a data snap time of 4:15PM London**

<https://ihsmarkit.com/products/valuation-services.html>

2. Change the cash account accrual rate from:  
**SONIA-12.5bp if SONIA >=25bp; SONIA/2 otherwise**  
to:  
**SONIA**
3. Change cash account day count conventions from: **ACT/360**  
To:  
**ACT/365**

The proposed changes will be effective from the implementation date and will not affect the historical levels of the indices.

The consultation will close on **12 August 2020**.

## 4. Consultation timetable

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The timetable IMBA UK is suggesting is as follows:

- **22 July 2020** – Consultation opens
- **11 August 2020** – Consultation closes
- **12 August 2020**– The Index Administration Committee reviews stakeholders' feedback and a decision is communicated to market
- **13 August 2020** – The proposed methodology changes are implemented for the **LGIM Matching Plus** family
- **Post 13 August 2020, date TBC** - The proposed methodology changes are implemented for the **LGIM Matching Core** family

## 5. Consultation process

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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)**

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

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

## 7. Appendix.I

Family	Index Name	ID	Changes to be applied
LGIM Matching Core	LGIM LONGFIXED Index	LGIM_LONGFIXED_Portfolio	1 & 3
LGIM Matching Core	LGIM LONGREAL Index	LGIM_LONGREAL_Portfolio	1 & 3
LGIM Matching Core	LGIM SHORTFIXED Index	LGIM_SHORTFIXED_Portfolio	1 & 3
LGIM Matching Core	LGIM SHORTREAL Index	LGIM_SHORTREAL_Portfolio	1 & 3
LGIM Matching Plus	Leveraged Gilt Plus	GILTPLUS	2 & 3
LGIM Matching Plus	2024 Leveraged Linker Index	LGIM2024LL	2 & 3
LGIM Matching Plus	2025 Fixed Swap Index	LGIM2025FS	1, 2, & 3
LGIM Matching Plus	2025 Inflation Swap Index	LGIM2025IS	1, 2, & 3
LGIM Matching Plus	2025 Real Swap Index	LGIM2025RS	1, 2, & 3
LGIM Matching Plus	2030 Fixed Swap Index	LGIM2030FS	1, 2, & 3
LGIM Matching Plus	2030 Inflation Swap Index	LGIM2030IS	1, 2, & 3
LGIM Matching Plus	2030 Leveraged Linker Index	LGIM2030LL	2 & 3
LGIM Matching Plus	2030 Real Swap Index	LGIM2030RS	1, 2, & 3
LGIM Matching Plus	2034 Leveraged Linker Index	LGIM2034LL	2 & 3
LGIM Matching Plus	2035 Fixed Swap Index	LGIM2035FS	1, 2, & 3
LGIM Matching Plus	2035 Inflation Swap Index	LGIM2035IS	1, 2, & 3
LGIM Matching Plus	2035 Real Swap Index	LGIM2035RS	1, 2, & 3
LGIM Matching Plus	2037 Leveraged Linker Index	LGIM2037LL	2 & 3
LGIM Matching Plus	2038 Leveraged Gilt Index	LGIM2038LG	2 & 3
LGIM Matching Plus	2040 Fixed Swap Index	LGIM2040FS	1, 2, & 3
LGIM Matching Plus	2040 Inflation Swap Index	LGIM2040IS	1, 2, & 3
LGIM Matching Plus	2040 Leveraged Linker Index	LGIM2040LL	2 & 3
LGIM Matching Plus	2040 Real Swap Index	LGIM2040RS	1, 2, & 3
LGIM Matching Plus	2042 Leveraged Gilt Index	LGIM2042LG	2 & 3
LGIM Matching Plus	2042 Leveraged Linker Index	LGIM2042LL	2 & 3
LGIM Matching Plus	2045 Fixed Swap Index	LGIM2045FS	1, 2, & 3
LGIM Matching Plus	2045 Leveraged Gilt Index	LGIM2045LG	2 & 3

LGIM Matching Plus	2045 Real Swap Index	LGIM2045RS	1, 2, & 3
LGIM Matching Plus	2047 Leveraged Linker Index	LGIM2047LL	2 & 3
LGIM Matching Plus	2049 Leveraged Gilt Index	LGIM2049LG	2 & 3
LGIM Matching Plus	2050 Fixed Swap Index	LGIM2050FS	1, 2, & 3
LGIM Matching Plus	2050 Inflation Swap Index	LGIM2050IS	1, 2, & 3
LGIM Matching Plus	2050 Leveraged Linker Index	LGIM2050LL	2 & 3
LGIM Matching Plus	2050 Real Swap Index	LGIM2050RS	1, 2, & 3
LGIM Matching Plus	2055 Fixed Swap Index	LGIM2055FS	1, 2, & 3
LGIM Matching Plus	2055 Leveraged Gilt Index	LGIM2055LG	2 & 3
LGIM Matching Plus	2055 Leveraged Linker Index	LGIM2055LL	2 & 3
LGIM Matching Plus	2055 Real Swap Index	LGIM2055RS	1, 2, & 3
LGIM Matching Plus	2060 Fixed Swap Index	LGIM2060FS	1, 2, & 3
LGIM Matching Plus	2060 Inflation Swap Index	LGIM2060IS	1, 2, & 3
LGIM Matching Plus	2060 Leveraged Gilt Index	LGIM2060LG	2 & 3
LGIM Matching Plus	2060 Real Swap Index	LGIM2060RS	1, 2, & 3
LGIM Matching Plus	2062 Leveraged Linker Index	LGIM2062LL	2 & 3
LGIM Matching Plus	2068 Leveraged Gilt Index	LGIM2068LG	2 & 3
LGIM Matching Plus	2068 Leveraged Linker Index	LGIM2068LL	2 & 3
LGIM Matching Plus	Leveraged Linker Plus	LINKERPLUS	2 & 3