

Proposed change in respect of certain benchmarks linked to exchange traded derivatives referencing GBP LIBOR – consultation period starting 26 October 2021

DBIQ acting as or on behalf of the index administrator (however so described) (the "**Index Administrator**") of each benchmark in the lists referenced below proposes to make certain changes to the methodology of such benchmarks and hereby provides notice that there will be period of consultation with users of such benchmarks in respect of such changes running from (and including) the date of this notice and up to (and including) 26 November 2021.

A full list of directly affected benchmarks is available in Appendix 1 (*List of Directly Affected Indices*).

Proposed changes

The relevant benchmarks currently reference a futures contract linked to Pound Sterling ("**GBP**") LIBOR (the Three Month Sterling (Short Sterling) Future). In accordance with the "Change in Methodology" provisions of the benchmarks, the Index Administrator proposes to amend the methodology of the benchmarks such that instead of such GBP LIBOR-linked futures contract, they will instead reference a futures contract linked to the Sterling Overnight Index Average (SONIA) (the Three Month SONIA Index Futures Contract).

Reasons for the change

On 5 March 2021, the Financial Conduct Authority (FCA) confirmed, amongst other things, that GBP LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after 31 December 2021. Details of the FCA announcement are available here: <https://www.fca.org.uk/news/press-releases/announcements-end-libor>.

Pursuant to the forthcoming discontinuation of GBP LIBOR, the Financial Conduct Authority (FCA) and Bank of England have notified participants in interdealer markets that they support and encourage liquidity providers in the sterling exchange traded derivatives market to switch the default traded instrument to SONIA instead of GBP LIBOR to facilitate a further shift in market liquidity toward SONIA. Details of the FCA and Bank of England initiative are available here: <https://www.bankofengland.co.uk/news/2021/may/fca-and-boe-encourage-market-participants-in-a-switch-to-sonia-17-june>.

The industry-led Working Group on Sterling Risk-Free Reference Rates has also published a roadmap and priorities for transition by the end of 2021 which targeted, by the end of Q2, the ceasing of initiation of, amongst other things, new GBP LIBOR exchange traded derivatives that expire after the end of 2021, except for risk management of existing positions. Details of the roadmap are available here: <https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor/working-group-on-sterling-risk-free-reference-rates>.

In view of the forthcoming anticipated discontinuation of GBP LIBOR, the associated industry-wide transition to SONIA based instruments and encouragement and recommendation by the FCA and the Bank of England, the Index Administrator is of the view that the representativeness of the benchmarks in respect of the economic reality they are intended to measure, and their appropriateness as a reference for financial instruments and contracts, would be put at risk in the absence of the proposed material change. The Index Administrator proposes to make this change in advance of the anticipated discontinuation of GBP LIBOR, in line with the FCA and Bank of England guidance and as liquidity in the SONIA futures market is now sufficient to provide an appropriate basis of reference.

Impact of the change

If the proposed change is implemented, from and including the date of the change, the relevant benchmark will reference a SONIA-linked futures contract in place of a GBP LIBOR-linked futures contract. It is impossible to predict either how a SONIA-linked futures contract as compared with a GBP LIBOR-linked futures contract will affect a benchmark going forward. Although past performance is not an indicator of future performance, the Index Administrator has performed an analysis using historic data and concluded that the performance of a GBP LIBOR-linked futures contract and the SONIA-linked futures contract are correlated and meet consistent economic objectives. Further details are available on request from the Index Administrator for users of the relevant benchmark at: index.data@db.com

For a discussion of the different rate-linked futures contracts, and the relative factors that may be reasonably expected to affect such futures contracts, users are invited to contact the Index Administrator at: index.data@db.com

User feedback

Users are invited to provide feedback on the proposed change during the consultation period. In order to provide such feedback, or for further details in respect of the proposed change including the potential impact on any relevant benchmark, please contact your Deutsche Bank representative or the DBIQ team at: index.data@db.com

Results of the consultation

The Index Administrator will consider feedback on the proposal received during the consultation period and, if appropriate, will consider amending or implementing the proposal on this basis. The Index Administrator will notify users of the outcome of the consultation and the timeline for the implementation of any changes.

Appendix 1 – List of Directly Affected Indices

Index Name	Ticker
DB Rates Momentum G4 – USD Index	DBMOR4U
DB Rates Momentum G4 – EUR Index	DBMOR4E
DB FRB GBP Index	DBFRUG