

## **Proposed changes in relation to certain benchmarks linked to cross-currency swaps – consultation period starting 24 November 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) 15 December 2021. This period of consultation is shorter than one-month due to the market events outlined in "Reasons for the change" below.

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

A list of benchmarks dependent on the directly affected benchmarks is available in Appendix 2 (*List of Dependent Indices*).

### **Proposed changes**

The relevant benchmarks currently reference one or more of (i) United States dollar ("**USD**") LIBOR, (ii) pound sterling ("**GBP**") LIBOR, (iii) Swiss franc ("**CHF**") LIBOR, (iv) Japanese yen ("**JPY**") LIBOR, (v) euro ("**EUR**") LIBOR and (vi) euro interbank offered rate ("**EURIBOR**"), and/or a USD, GBP, CHF, JPY or EUR swap curve based on either USD, GBP, CHF or JPY rates and instruments linked to the relevant LIBOR or EURIBOR rates and instruments linked to EURIBOR, as the case may be (or, in respect of the benchmarks listed in Appendix 2 (*List of Dependent Indices*), reference one or more such relevant benchmarks). In accordance with the "Change in Methodology" provisions of the benchmarks, the Index Administrator proposes to amend the methodology of the benchmarks such that they will instead reference, in respect of (i) USD, the Secured Overnight Financing Rate (SOFR) and/or a USD swap curve based upon SOFR, as applicable, (ii) GBP, the Sterling Overnight Index Average (SONIA) and/or a GBP swap curve based under SONIA, as applicable, (iii) CHF, the Swiss Average Rate Overnight (SARON) and/or a CHF swap curve based upon SARON, as applicable, (iv) JPY, the Tokyo Overnight Average Rate (TONAR) and/or a JPY swap curve based upon TONAR, as applicable, and (v) EUR, the euro short-term rate (EuroSTR), as applicable, and/or a EUR swap curve based upon EuroSTR, as applicable. Furthermore, where the title of any relevant benchmark reflects the reliance on one of USD LIBOR, GBP LIBOR, CHF LIBOR, JPY LIBOR or EURIBOR (whether directly or by reference to any applicable floating rate period), as applicable, the title of such benchmark will be updated to reflect the changes described in this paragraph.

### **Reasons for the change**

In late 2020, the Bank of England's Working Group on Sterling Risk-Free Reference Rates recommended the cessation from Q2/Q3 2021 of new cross-currency derivatives with a LIBOR-linked GBP leg expiring after 2021. The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) expect regulated firms to achieve this milestone through the publication of a joint letter from the PRA and the FCA dated 26 March 2021. This letter also noted the PRA's and FCA's expectation that risk-free rates in non-GBP LIBOR currencies are adopted as soon as practicable and, in any event, not later than the end of 2021. The letter from the PRA and FCA is available here: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2021/march/transition-from-libor-to-risk-free-rates.pdf?la=en&hash=28D5CAB6CE11D930906FAEE35C86982FE159375E>.

On 13 July 2021, the US Commodity Futures and Trading Commission's Market Risk Advisory Committee (MRAC) formally recommended a series of 'SOFR First' initiatives in USD markets and identified the replacement of LIBOR with risk-free rates in cross-currency swaps from 21 September 2021. The MRAC press release is available here: <https://www.cftc.gov/PressRoom/PressReleases/8409-21>. The Alternative Reference Rates Committee has endorsed the MRAC recommendation that interdealer trading conventions for cross-currency basis swaps between USD, GBP, CHF and JPY LIBOR move to each currency's risk-free rate as of 21 September 2021.

On 21 July 2021, the FCA and the Bank of England released a statement supporting and encouraging liquidity providers in the LIBOR cross-currency swaps market to new adopt quoting conventions on risk-free rates instead of

LIBOR in respect of the interdealer market from 21 September 2021. The quoting conventions in the interdealer market for the GBP, CHF and JPY legs of cross-currency swaps would switch from LIBOR to SONIA, SARON and TONAR respectively from 21 September 2021 and cross-currency swaps with a USD leg would switch from USD LIBOR to SOFR from 21 September 2021 when paired with another currency. Details of the FCA and Bank of England's announcement are available here: <https://www.bankofengland.co.uk/news/2021/july/fca-boe-encourage-market-participants-in-a-switch-to-rfrs-in-the-libor-cross-currency-swaps-market>.

On 26 July 2021, the Working Group on Euro Risk-Free Rates (Euro WG) issued a statement supporting the recommendation for interbroker dealers to switch from EURIBOR to EuroSTR from 21 September 2021 for a switch of quoting conventions in the interdealer market for USD, GBP, CHF and JPY legs of cross-currency swaps. The Euro WG's statement is available here: [https://www.esma.europa.eu/sites/default/files/library/esma81-391-73\\_eur\\_rfr\\_wg\\_statements\\_on ESTR first and CCS.pdf](https://www.esma.europa.eu/sites/default/files/library/esma81-391-73_eur_rfr_wg_statements_on ESTR first and CCS.pdf).

The National Working Group on Swiss Franc Reference Rates (NWG) supported 21 September 2021 as the start date to switch quoting conventions of cross-currency swaps in LIBOR currencies to risk-free rates. The NWG press release is available here: [https://www.snb.ch/n/mmr/reference/minutes\\_20210701/source/minutes\\_20210701.n.pdf](https://www.snb.ch/n/mmr/reference/minutes_20210701/source/minutes_20210701.n.pdf).

On 13 August 2021, the Working Group on Currency Swaps of the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks (JPY Committee) published its report to express support of 21 September 2021 as being the start date to switch quoting conventions of cross-currency swaps in LIBOR currencies to risk-free rates. The JPY Committee's press release is available here: [https://www.boj.or.jp/en/announcements/release\\_2021/rel210813b.pdf](https://www.boj.or.jp/en/announcements/release_2021/rel210813b.pdf)

In view of the industry-wide transition to risk-free rate-based instruments and encouragement and recommendation by the PRA, FCA, the Bank of England and MRAC to adopt risk-free rates, 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 line with PRA, FCA, Bank of England and MRAC guidance and as pricing data and liquidity in the cross-currency swaps 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, in respect of (i) a SOFR based cross-currency swap curve in place of a USD LIBOR-based cross-currency swap curve and/or a SOFR-derived rate in place of USD LIBOR, as applicable, (ii) a SONIA based cross-currency swap curve in place of a GBP LIBOR-based cross-currency swap curve and/or a SONIA-derived rate in place of GBP LIBOR, as applicable, (iii) a SARON based cross-currency swap curve in place of a CHF LIBOR-based cross-currency swap curve and/or a SARON-derived rate in place of CHF LIBOR, as applicable, (iv) a TONAR based cross-currency swap curve in place of a JPY LIBOR-based cross-currency swap curve and/or a TONAR-derived rate in place of JPY LIBOR, and (v) a EuroSTR based cross-currency swap curve in place of a EURIBOR-based cross-currency swap curve and/or a EuroSTR-derived rate in place of EURIBOR, in each case, as applicable. It is impossible to predict either how a risk-free rate based cross-currency swap curve as compared with a LIBOR-based swap curve or the substitution of the applicable LIBOR or EURIBOR, as applicable, with a risk-free rate 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 the relevant LIBOR-based swap curve and the relevant risk-free rate-based swap curve and-or the relevant LIBOR or EURIBOR swap instruments, as applicable, with the relevant risk-free rate derived swap instruments, in each case for a given tenor, 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](mailto:index.data@db.com).

For a discussion of the different rate-based swaps, and the relative factors that may be reasonably expected to affect such rates, users are invited to contact the Index Administrator at: [index.data@db.com](mailto: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](mailto: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 USDJPY 1Y1Y Cross Currency Basis Excess Return Index	DBDSXJ11
DB USDJPY 1Y2Y Cross Currency Basis Excess Return Index	DBDSXJ12
DB USDJPY 1Y5Y Cross Currency Basis Excess Return Index	DBDSXJ15
DB USDJPY 1Y10Y Cross Currency Basis Excess Return Index	DBDSXJ1D
DB USDJPY 1Y15Y Cross Currency Basis Excess Return Index	DBDSXJ1Q
DB USDJPY 1Y20Y Cross Currency Basis Excess Return Index	DBDSXJ1V
DB USDJPY 2Y2Y Cross Currency Basis Excess Return Index	DBDSXJ22
DB USDJPY 5Y5Y Cross Currency Basis Excess Return Index	DBDSXJ55
DB USDJPY 10Y10Y Cross Currency Basis Excess Return Index	DBDSXJDD
DB USDGBP 1Y1Y Cross Currency Basis Excess Return Index	DBDSXG11
DB USDGBP 1Y2Y Cross Currency Basis Excess Return Index	DBDSXG12
DB USDGBP 1Y5Y Cross Currency Basis Excess Return Index	DBDSXG15
DB USDGBP 1Y10Y Cross Currency Basis Excess Return Index	DBDSXG1D
DB USDEUR 1Y1Y Cross Currency Basis Excess Return Index	DBDSXE11
DB USDEUR 1Y2Y Cross Currency Basis Excess Return Index	DBDSXE12
DB USDEUR 1Y5Y Cross Currency Basis Excess Return Index	DBDSXE15
DB USDEUR 1Y10Y Cross Currency Basis Excess Return Index	DBDSXE1D
DB USDCHF 1Y1Y Cross Currency Basis Excess Return Index	DBDSXC11
DB USDCHF 1Y2Y Cross Currency Basis Excess Return Index	DBDSXC12
DB USDCHF 1Y5Y Cross Currency Basis Excess Return Index	DBDSXC15
DB USDCHF 1Y10Y Cross Currency Basis Excess Return Index	DBDSXC1D
DB Rates Diversified Strategy 019 Sub Index 1	
DB Rates Diversified Strategy 019 Sub Index 2	
DB Rates Diversified Strategy 019 Sub Index 3	
DB Rates Diversified Strategy 019 Sub Index 4	
EURUSD XCCY - JAJ0 - Ascent Broad Rebal	
GBPUSD XCCY - JAJ0 - Ascent Broad Rebal	
JPYUSD XCCY - JAJ0 - Ascent Broad Rebal	
EURUSD XCCY - FMAN - Ascent Broad Rebal	
GBPUSD XCCY - FMAN - Ascent Broad Rebal	
JPYUSD XCCY - FMAN - Ascent Broad Rebal	
EURUSD XCCY - MJSD - Ascent Broad Rebal	
GBPUSD XCCY - MJSD - Ascent Broad Rebal	
JPYUSD XCCY - MJSD - Ascent Broad Rebal	

## Appendix 2 – List of Dependent Indices

Index Name	Ticker
Ascent Broad in EUR	DBACTBRE
Ascent Broad	DBACTBRU
Ascent Broad- Tranche 1 JAJ0	
Ascent Broad- Tranche 2 FMAN	
Ascent Broad- Tranche 3 MJSD	
Global Ascent	DBACG12U
Global Ascent II - USD	DBAC12U2
Global Ascent II - EUR	DBAC12E2
Deutsche Bank Fixed Income USD Base Portfolio	
Deutsche Bank Fixed Income USD Leverage Portfolio	
DB Rates Diversified Strategy 019 Index	DBDSXCUS
Deutsche Bank Fixed Income USD Portfolio	DBC UU168
DB Cross Currency Basis JPY 1y1y Rolling Index	DBSMJY11
DB Cross Currency Basis CADJPY 1y1y Rolling Basket Index	DBSMCUS1
DB Ascent Broad 2.0 USD JAJ0 Sub Index	
DB Ascent Broad 2.0 USD FMAN Sub Index	
DB Ascent Broad 2.0 USD MJSD Sub Index	
DB Ascent Broad 2.0 USD Index	DBACTB2U
DB Global Ascent III USD Index	DBAC12U3
DB Enhanced Smart Beta 4.5% TV Index	DBACEU45
DB Enhanced Smart Beta 4.5% TV AUD Hedged Index	DBACEB45
Global Rates Ascent II Strategy	DBC UASU2
Global Rates Ascent II Leveraged Strategy	DBC UASL2
DB Enhanced Smart Beta 4.5% VT Strategy	DBCUDBAC
DB USDJPY 1Y1Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDGBP 1Y1Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDEUR 1Y1Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDCHF 1Y1Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDJPY 1Y2Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDGBP 1Y2Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDEUR 1Y2Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDCHF 1Y2Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDJPY 1Y5Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDGBP 1Y5Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDEUR 1Y5Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB USDCHF 1Y5Y Cross Currency Basis Excess Return USD Hedged	DBDSXCUS
DB Rates Diversified Strategy 019 Sub Index 1	
DB Rates Diversified Strategy 019 Sub Index 2	
DB Rates Diversified Strategy 019 Sub Index 3	
DB Rates Diversified Strategy 019 Sub Index 4	
DB Global Ascent VC 5% Index	DBC UAC5P
DB Cross Currency Basis Composite Basket JPY Index	DBDSXJP1