



CDS BENCHMARK INDICES - BENCHMARK STATEMENT

1. General Disclosures	
Benchmark family name	CDS Benchmark Indices
Date of initial publication of this document	9 July 2018
Date of last update to this document	9 July 2018
ISIN (where available)	There are presently no ISINs available or accessible for the benchmarks covered by this Benchmark Statement.
Determination by contributions of input data	<p>No, the administrator does not receive contributions of “input data” (as defined by the BMR) in relation to this family of benchmarks.</p> <p>CDS Benchmark Indices utilize IHS Markit CDS Pricing as well as other local pricing sources to determine the prices used for the index calculations.</p>
Qualification of the benchmark family	CDS indices are administered as a significant benchmark.
2. Key terms relating to the benchmark or family of benchmarks	
General description of the market or economic reality	Underlying the CDS Benchmark Indices are CDS indices which operate as tradeable baskets. These underlying baskets are rolled onto a new series every 6 months. The CDS Benchmark Indices operate under the assumption that the investor is always invested in the underlying on-the-run (i.e. current) credit index series and transitioned semiannually to the newly issued CDS index series. Further, they take into account the quarterly coupons

	on the underlying basket (a protection seller receives the coupon whereas a protection buyer pays the coupon), transaction costs and auction recovery from defaults.
Geographical boundaries of the market or economic reality	Geographical regions are defined by the underlying CDS index contracts being tracked by the benchmark CDS indices. The CDS indices cover the US, Asia, Australia and Europe.
Other relevant information relating to the market or economic reality	Market participants include asset managers, retail and investment banks, insurers, pensions funds, hedge funds and endowment funds. The underlying CDS indices market trades an average of \$400bn notional a week.
3. The potential limitations of the benchmark and the circumstances in which the measurement of the market or economic reality may become unreliable	
Circumstances in which we would lack sufficient input data to determine the benchmark according to the methodology	In the situation of extreme market disruption or a severe decrease in liquidity in the underlying CDS indices, the administrator would need to resort to modelled pricing provided by IHS Markit CDS Pricing.
Circumstances in which the degree of liquidity of the underlying market becomes insufficient to ensure the integrity and reliability of the benchmark determination according to the methodology	As above. The depth of the prices published by the IHS Markit CDS Pricing Services should be high enough to ensure reliability of the composite to represent market sentiment. IHS Markit CDS Pricing requires at least three independent price sources to consolidate a price/spread. If this not achieved the last available price will be used in the CDS Benchmark Indices.
4. The controls and rules that govern the exercise of judgment or discretion in the calculation of the benchmark or family of benchmarks	
Position of each function or body that may exercise discretion in the calculation of a benchmark and governance thereof	The administrator's indices are rules based and do not typically permit the use of discretion unless there are exceptional circumstances that are not addressed by either the index rules or an administrator policy. Such scenarios may include (but are not limited to): <ul style="list-style-type: none"> - Failure of data providers; - Significant changes to the underlying market;

	<ul style="list-style-type: none"> - Complex corporate events; - Action by governmental or regulatory bodies that causes market disruption; - Events beyond human control. <p>In the event that the administrator needs to take action or make a decision that has not been foreseen by the methodology or associated policy, senior members of the administration team will consult with the applicable Index Administration Committee to arrive at a decision that is consistent with the objective of the index in question and that causes minimal disruption to index stakeholders. Where appropriate, and reasonably practicable, the administrator may consult with stakeholders. In any event the administrator will make all reasonable efforts to ensure stakeholders are aware that discretion or judgement has been used and how.</p>
Ex-post evaluation process	<p>As above, the exercise of judgment or discretion in the calculation is guided by precise internal guidelines to ensure that no conflict of interest arises and that the CDS Benchmark Indices continue to reflect the underlying economic reality. To the extent there is feedback or comment on the use of expert judgment or discretion, the CDS Indices Benchmark team will review those comments at the earliest opportunity.</p>
5. Review of the methodology and changes to, or cessation of, the benchmark or family of benchmarks	
The methodology	<p>The CDS Benchmark indices are divided into three categories reflecting different performance attributes prevalent in the CDS index markets. Though there are differences in determining the returns on the below CDS Benchmark Indices, all CDS Benchmark Indices utilize the same IHS Markit CDS Pricing source and the ISDA CDS Standard Model is applied to relevant aspects of the calculation (such as coupon accrual convention).</p> <ol style="list-style-type: none"> 1. <u>Excess return benchmark indices</u> <p>The excess return benchmark indices reflect the mark to market returns on the underlying CDS index of a protection seller or buyer (i.e. a long position on the underlying on-the-run CDS index).</p> <p><u>Total return benchmark indices</u></p>

The total return benchmark indices reflect the mark to market returns of the underlying CDS index plus the applicable overnight cash accrual on the same.

CDS strategy benchmark indices

These indices blend two or more CDS index contracts to reflect diversified exposure to different segments of the underlying CDS market. The strategy indices can be a manifestation of specific investor preferences such as risk-adjusted returns, weighted index exposure, leveraged returns etc.

The methodology is subject to at least annual review by the administrator. Such review is carried out by the Board and the Benchmark Oversight Committee.

2. Membership of the underlying CDS indices is determined by clear, transparent and objective rules that are publicly available. Example criteria include credit rating, liquidity and currency. The constituents of the underlying CDS indices is determined every six months.
3. The pricing used in the CDS Benchmark Indices is sourced from IHS Markit CDS Pricing and additional local pricing providers are included where appropriate. IHS Markit CDS Pricing is a standalone service that is independent of the index administrator and is based on contributed data, observed quotes in the market and parsed data. Once the set of contributions have been selected, they are passed through an iterative outlier cleaning process. Experienced analysts manage the process of determining the CDS prices based on a rules based methodology.
4. The exercise of judgment or discretion is very rarely used and governed as described above in section 3.
5. In the situation of extreme market disruption or a severe decrease in liquidity in the underlying CDS indices, the administrator would need to resort to modelled pricing provided by IHS Markit CDS Pricing. The depth of the prices published by the IHS Markit CDS Pricing Services should be high enough to ensure reliability of the composite to represent market sentiment. IHS Markit CDS Pricing requires at least three independent price sources to consolidate a price/spread. If this not achieved the last available price will be used in the CDS Benchmark Indices. A notification will be sent to users if there is a situation where the indices cannot be calculated or when the calculation of a significant part of the index is based on assumptions due

	<p>to the lack of available data. In exceptional situations where it is not possible to calculate an index at all, a index calculation day may be declared a non-trading day.</p> <p>6. The CDS Benchmark Indices are subject to an official restatement policy that describes how errors in the calculation or the membership is handled. The key determinants to decide if an index needs to be restated following an error are the magnitude of the error on the index performance as well as the impact on the users of the index. For more details please refer to Index Restatement Policy published on our website</p> <p>7. The identification of potential limitations of the CDS Benchmark Indices, including its operation in illiquid or fragmented markets are addressed above in section 4.</p>
<p>Possible impacts of changes to, or the cessation of the benchmarks upon the financial contracts, financial instruments that reference the benchmark or the measurement of the performance of investment funds</p>	<p>The CDS Benchmark Indices are used for benchmarking, risk and performance reporting, total return swaps, credit linked notes and exchange traded products. In the event of a cessation of the CDS Benchmark Indices, users would need to switch to other comparable indices or agree appropriate terms for settlement of contracts linked to the CDS Benchmark Indices.</p>
<p>Additional information</p>	
<p>Additional information</p>	<p>For more information, including methodology documents please visit https://ihsmarkit.com/products/indices.html or contact us at indices@ihsmarkit.com</p>

IMPORTANT:

This Benchmark Statement will be updated whenever the information it provides is no longer correct or sufficiently precise and at least where:

- (a) there is a change in the type of the benchmark;
- (b) there is a material change in the methodology for determining the benchmark or, where the benchmark statement refers to a family of benchmarks, in the methodology for determining any benchmark within the family of benchmarks.

This Benchmark Statement will be updated at least every two years.

ABOUT US

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

CONTACT US

For more information, including methodology documents please visit <https://ihsmarkit.com/products/indices.html> or contact us at indices@ihsmarkit.com

NOTICES AND DISCLAIMERS

The information in this document is provided "as is." IHS Markit and its affiliates make no warranty, expressed or implied, including, without limitation, any warranties as of merchantability, fitness for a particular purpose, accuracy, completeness or timeliness, or as to the results to be obtained by recipients of the products and services described herein, and shall not in any way be liable for any inaccuracies, errors or omissions herein. IHS Markit products are governed by the terms and conditions of the agreements under which they are provided. Copyright © 2018, IHS Markit. All rights reserved. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit is strictly prohibited.