

# BENCHMARK TRANSPARENCY STATEMENT

## **For the attention of clients of Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc (“Lloyds Bank”).**

This Benchmark Transparency Statement (this “Statement”) is designed to provide you with general information about the relationship between Lloyds Bank and how certain Benchmarks are determined.

This Statement covers our requirements under UK benchmark regulations as set out below.

Definitions of terms contained in this Statement are provided in section 6 below.

### **1. Introduction**

When you enter into a financial transaction, for example a loan agreement, lending facility, deposit, or a transaction in an Investment with Lloyds Bank the payments, settlements or deliveries due to or from you (and any subsequent valuation of the transaction) may be determined by reference to the level of the Benchmark.

For Benchmarks regulated under Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended) and regulations made under that Act (“UK BMR<sup>1</sup>”) Lloyds Bank may act in any one or more of the following capacities: (i) Administrator, (ii) Contributor; or (iii) User.

### **2. Benchmark Administrator**

The Administrator of a Benchmark is responsible for the process by which the value of a Benchmark is determined. An Administrator is required to have appropriate governance arrangements in place to protect the integrity of the Benchmark and to address any conflicts of interests. Following the transfer of the administration of the Halifax House Price Index (HHPI) to Markit Group Limited in June 2016, Lloyds Bank is no longer the Administrator of any benchmarks.

### **3. Benchmark Contributor**

The Administrator of a Benchmark may determine the Benchmark by reference to Input Data received from market participants acting in the role of a Contributor to the Benchmark. Generally, the Input Data may involve the application of Expert Judgement and may not be limited to providing purely factual or transaction data.

---

<sup>1</sup> [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation \(EU\) No 596/2014 \(Text with EEA relevance\) \(legislation.gov.uk\)](#),

Lloyds Bank plc is a Contributor to the following Benchmarks:

Benchmark	Benchmark Administrator
London Interbank Offered Rate (LIBOR)	ICE Benchmark Administration Limited (IBA)
Halifax House Price Index (HHPI)	Markit Group Limited

In the case of these Benchmarks, Lloyds Bank contributes data in accordance with the Administrator's Submitters' Code of Conduct. For the **Halifax House Price Index** Lloyds Bank is the only Contributor. Lloyds Bank does not exercise Expert Judgement when submitting Contributions to this Benchmark.

In relation to LIBOR and HHPI, Lloyds Bank also ensures it adheres to relevant codes of conduct as required by the administrator.

In our capacity as contributor, we have internal controls and procedures in place to monitor that any Input Data contributed to an Administrator is not affected by any existing or potential conflicts of interest and where any discretion is required it is independently and honestly exercised. These include amongst others adherence to relevant codes of conduct, the appointment of a benchmark officer and a conflicts register to monitor and manage potential conflicts.

#### 4. Benchmark User

Products or transactions offered to you by Lloyds Bank may reference a Benchmark for which Lloyds Bank is not an Administrator or a Contributor. In such circumstances, the Lloyds Bank entity is only a User of the Benchmark that is administered by a third party, and makes no representation or warranty with respect to the Administrator's determination of such Benchmarks.

In making use of a Benchmark, Lloyds Bank may reference the Benchmark for internal purposes or use the Benchmark, on its own or in combination, in products, services or transactions which we provide or carry out with you. The Benchmark may be used for the purpose of determining payments, settlements or deliveries due to or from you as a result of a loan agreement, lending facility, deposit, or transaction in an Investment, or in the valuation of any such loan or lending facility, deposit or Investment.

When a weighted combination of Benchmarks is used to create a separate multi-asset measure that may determine payment, settlements or deliveries under a product, service or transaction offered by us, this combination of benchmarks is a use of each component Benchmark, rather than the creation and administration of a new Benchmark.

Lloyds Bank uses a large number of benchmarks for a variety of purposes, some of these 'use' cases fit within regulatory definitions and create regulatory obligations whereas other 'uses' do not. Examples of "non-regulated" use of a benchmark include the use of a benchmark in modelling, or other types of economic analysis.

Where Lloyds Bank makes a regulated use of a Benchmark it has processes in place to manage a material change or cessation of that Benchmark by its Administrator, that include where feasible and appropriate the determination of, and obtaining access to, a suitable replacement or alternative Benchmark.

The Financial Conduct Authority<sup>2</sup> (the FCA) has announced that banks will not be required to contribute to *CHF, EUR, GBP, JPY LIBOR* and 1 week and 2 month USD LIBOR after 31 December 2021. The FCA has also announced that GBP and JPY LIBOR will be published on a synthetic basis for a limited period of time after end 2021. As a result of these announcements LIBOR will cease or in respect of certain GBP and JPY tenors materially change at that time. Contracts entered into with Lloyds Bank entities may contain

<sup>2</sup> <https://www.fca.org.uk/news/press-releases/further-arrangements-orderly-wind-down-libor-end-2021>

provisions as to fallback rates to be applied in that event.

The FCA has also announced that the remaining 5 US dollar LIBOR settings will continue on the current basis until end-June 2023, when the USD LIBOR will cease.

## 5. Financial markets activity

Lloyds Bank participates in financial markets and may enter into transactions or quote prices on Regulated Markets or Exchanges which may be provided to an Administrator and used for the purpose of determining a Benchmark.

Examples of Benchmarks in this category include:

- **ICE Swap Rate**<sup>3</sup>, formerly known as ISDAFIX, is a Benchmark for annual swap rates and spreads for interest rate swap transactions which is administered by ICE Benchmark Administration (IBA).
- **FX Benchmarks** such as those administered or published by WM Reuters or Bloomberg.
- **SONIA** is the Sterling Overnight Index Average rate. The Bank of England calculates, publishes and is the Administrator of SONIA. The Benchmark is derived from overnight unsecured transactions negotiated bilaterally as well as those arranged via brokers, using the Bank of England's Sterling Money Market daily data collection as data source. Lloyds Bank provides such data to the Bank of England.
- **ICE TERM SONIA Reference Rates ("ICE TSRR")**<sup>4</sup> is a newly created benchmark in January 2021 and designed to measure, on a daily basis, the expected (forward-looking) SONIA rates over a one-month, three-month, six-month and 12-month tenor using eligible prices and volumes for specified SONIA-linked interest rate derivative products, provided by trading venues.
- **Refinitiv Term SONIA** is a forward-looking, risk free reference rate available in one-month, three-month, six-month and 12-month tenors denominated in Sterling.

## 6. Definitions

**"Administrator"** means a natural or legal person that has control over the provision of a benchmark namely:

- a) administering the arrangements for determining a Benchmark
- b) collecting, analysing or processing input data for the purpose of determining Benchmark and
- c) determining a Benchmark through the application of a formula or other method of calculation or by an assessment of input data provided for that purpose.

**"Benchmark"** means any Index by reference to which the amount payable under a financial instrument or a financial contract, or the value of a financial instrument, is determined, or an index that is used to measure the performance of an investment fund with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio or of computing the performance fees.

**"Benchmark Methodology"** means the written rules and procedures according to which information is collected and the Benchmark is determined

**"Contributor"** means a natural or legal person providing Input Data to an Administrator, or to another person for the purposes of passing to an Administrator, that is required in connection with the determination of a Benchmark, and is provided for that purpose.

**"Expert Judgement"** means the exercise of discretion by an Administrator or Contributor with respect to the use of data in determining a Benchmark, including extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data such as market events or impairment of a buyer or seller's credit quality, or weighting firm bids or offers greater than a particular concluded transaction.

---

<sup>3</sup> <https://www.theice.com/iba/ice-swap-rate>

<sup>4</sup> <https://www.theice.com/iba/risk-free-rates>

**“Index”** means any figure:

- a) that is published or made available to the public;
- b) that is regularly determined:
  - i. entirely or partially by the application of a formula or any other method of calculation, or by an assessment; and
  - ii. on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates, quotes and committed quotes, or other values or surveys.

**“Input Data”** means data in respect of the value of one or more underlying assets or prices, including estimated prices, quotes, committed quotes or other values used by an Administrator to determine a Benchmark.

**“Investment(s)”** means any asset, right or interest offered or provided by Lloyds Bank in performance of a regulated activity within the meaning of section 22 of the Financial Services and Markets Act 2000; the activities specified in Schedule II to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; any subordinate legislation made under the Act; and any modifications, amendments, extensions, consolidations, re-enactments and/or replacements of the foregoing statutory provisions and/or subordinate legislation which are in force from time to time.

**“Lloyds Bank”** means Lloyds Bank plc, Lloyds Bank Corporate Markets plc and/or Bank of Scotland plc.

**“Regulated Market or Exchange”** means a market or exchange that is regulated and/or supervised by a governmental or statutory regulatory authority.

**“User”** refers to a legal person or entity that uses a Benchmark for one of the following purposes:

- (a) issuance of a financial instrument which references an Index or a combination of Indices;
- (b) determination of the amount payable under a financial instrument or a financial contract by referencing an Index or a combination of Indices;
- (c) being a party to a financial contract which references an Index or a combination of Indices;
- (d) providing a borrowing rate that is calculated as a spread or mark-up over an Index or a combination of Indices and that is solely used as a reference in a financial contract to which the creditor is a party;
- (e) measuring the performance of an investment fund through an Index or a combination of Indices for the purpose of tracking the return of such Index or combination of Indices, of defining the asset allocation of a portfolio, or of computing the performance fees.

---

Lloyds Bank is a trading name of Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Lloyds Bank Corporate Markets plc. Registered office 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 10399850. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278, 169628 and 763256 respectively.

DIS.BOS.G.B2/DIS.LB.G.B2 (03/22)

---