

# BENCHMARK TRANSPARENCY STATEMENT

**For the attention of clients of Lloyds Bank plc, Lloyds Bank Corporate Markets plc, Bank of Scotland plc, Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH, and other Lloyds Banking Group entities.**

This Benchmark Transparency Statement (this “Statement”) is designed to provide you with general information about the relationship between Lloyds Banking Group and the process by which certain Benchmarks are determined. In addition, this Statement explains the relationship between a Lloyds Banking Group entity and the Administrators of certain Benchmarks as it relates to your dealings with us.

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

## 1. Introduction

When you enter into a transaction, such as a loan agreement, lending facility, deposit, or a transaction in an Investment with a Lloyds Banking Group financial institution 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 a Benchmark.

For Benchmarks regulated under the EU Benchmark Regulations No 1011/2016 (the “Regulations”), a Lloyds Banking Group entity 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.

The Administrator’s duties include:

- a) Development: The definition of the Benchmark and Benchmark Methodology;
- b) Determination and Dissemination: The accurate and timely compilation and publication and distribution of the Benchmark;
- c) Operation: Ensuring appropriate transparency over significant decisions affecting the compilation of the Benchmark and any related determination process, including contingency measures in the event of absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure, or other relevant factors; and
- d) Governance: Establishing credible and transparent governance, oversight and accountability procedures for the Benchmark determination process, including an identifiable oversight function accountable for the development, issuance and operation of the Benchmark.

Following the transfer of the administration of the Halifax House Price Index (HHPI) to Markit Group Limited in June 2016, Lloyds Banking Group 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.

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.

Lloyds Banking Group entities are participants in financial markets and may enter into transactions or quote prices on Regulated Markets or Exchanges which may be provided to an Administrator by a Contributor that is not a Lloyds Banking Group entity for the purpose of determining a Benchmark. Examples of Benchmarks in this category include:

- **ICE Swap Rate**, formerly known as ISDAFIX, is a Benchmark for annual swap rates for interest rate swap transactions which is administered by ICE Benchmark Administration (IBA). Lloyds Bank may indirectly contribute to the ICE Swap Rate Benchmark by virtue of transactions entered into or by submitting bids and offers to various trading platforms.
- **FX Benchmarks** such as those administered or published by WM Reuters or Bloomberg.
- **SONIA** is the Sterling Overnight Interbank 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
- **RONIA** is the Repurchase Overnight Index Average Rate respectively. The Wholesale Markets Brokers' Association ("WMBA") calculates, publishes and is the Administrator of RONIA. The Benchmark is derived from transactions brokered in London through WMBA members only, and as such these form a subset of the total pool of the Sterling secured overnight cash transactions for any given period.

Lloyds Banking Group entities have internal controls and procedures in place to ensure 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.
- any transactions by a Lloyds Banking Group entity that may be used in the determination of a Benchmark where Lloyds Bank is not a Contributor to that Benchmark are not entered into in an attempt to influence the determination of that Benchmark.

#### 4. Benchmark User

Products or transactions offered to you by a Lloyds Banking Group entity may reference a Benchmark for which Lloyds Bank is not an Administrator or a Contributor. In such circumstances, the Lloyds Banking Group 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, a Lloyds Banking Group entity 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 Banking Group entities use 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 a Lloyds Banking Group entity makes a regulated use of a Benchmark it has processes in the event of 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 has indicated that banks will not be required to contribute to LIBOR after 2021. LIBOR may cease or materially change at that time. Contracts entered into with Lloyds Banking Group entities may contain provisions as to fallback rates to be applied in that event.

## 5. Monitoring and Review

Lloyds Bank monitors and assesses its contributions to and use of Benchmarks, and also reviews the effectiveness of its controls and procedures at least annually, or whenever a material change occurs that affects our relationship to any Benchmarks-setting process.

## 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.

**"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 in accordance with section 22 of the Financial Services and Markets Act 2000 (Regulated Activities) and of the activities specified in Part II (Specified Activities) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and any subordinate legislation made under it and any modifications, amendments, extensions, consolidations, re-enactments and/or replacements of that statute, statutory provision and/or subordinate legislation which are in force from time to time.

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

**“Lloyds Banking Group”** includes all subsidiaries or associates. The businesses of Lloyds Banking Group plc are either in or owned, directly or indirectly, by Lloyds Bank plc. Lloyds Bank is a wholly owned subsidiary of Lloyds Banking Group plc. A list of Lloyds Banking Group entities can be found at: <https://www.lloydsbankinggroup.com/our-group/group-overview/>.

**“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.

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*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.*

*Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH is a wholly-owned subsidiary of Lloyds Bank Corporate Markets plc. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH has its registered office at Thurn-und-Taxis Platz 6, 60313 Frankfurt, Germany. The company is registered with the Amtsgericht Frankfurt am Main, HRB 111650. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH is supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht.*