CME Term SOFR Daily Return Indices

BMR Benchmark Regulation Statement

**CME Group Benchmark Administration Limited**

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## Introduction

The “CME Term SOFR Daily Return Indices” group of benchmarks, provided by CME Group Benchmark Administration Limited (CBA), are determined from input data of the same nature which provides specific measures of the same or similar market or economic reality; and therefore classified as a “family of benchmarks” under Article 3(1)(4) BMR.

The CME Term SOFR Daily Return Indices consist of the following benchmarks:

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| --- | --- |
| **Index Ticker** | **Index Name** |
| TSFI01 | 1-Month Term SOFR Daily Return Index |
| TSFI03 | 3-Month Term SOFR Daily Return Index |
| TSFI06 | 6-Month Term SOFR Daily Return Index |
| TSFI12 | 12-Month Term SOFR Daily Return Index |
| TSFI0105 | 1-Month Term SOFR +5bps Daily Return Index |
| TSFI0305 | 3-Month Term SOFR +5bps Daily Return Index |
| TSFI0605 | 6-Month Term SOFR +5bps Daily Return Index |
| TSFI1205 | 12-Month Term SOFR +5bps Daily Return Index |
| TSFI0108 | 1-Month Term SOFR +8bps Daily Return Index |
| TSFI0308 | 3-Month Term SOFR +8bps Daily Return Index |
| TSFI0608 | 6-Month Term SOFR +8bps Daily Return Index |
| TSFI1208 | 12-Month Term SOFR +8bps Daily Return Index |
| TSFI0110 | 1-Month Term SOFR +10bps Daily Return Index |
| TSFI0310 | 3-Month Term SOFR +10bps Daily Return Index |
| TSFI0610 | 6-Month Term SOFR +10bps Daily Return Index |
| TSFI1210 | 12-Month Term SOFR +10bps Daily Return Index |
| TSFI0115 | 1-Month Term SOFR +15bps Daily Return Index |
| TSFI0315 | 3-Month Term SOFR +15bps Daily Return Index |
| TSFI0615 | 6-Month Term SOFR +15bps Daily Return Index |
| TSFI1215 | 12-Month Term SOFR +15bps Daily Return Index |
| TSFI0118 | 1-Month Term SOFR +18bps Daily Return Index |
| TSFI0318 | 3-Month Term SOFR +18bps Daily Return Index |
| TSFI0618 | 6-Month Term SOFR +18bps Daily Return Index |
| TSFI1218 | 12-Month Term SOFR +18bps Daily Return Index |

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| **Index Ticker** | **Index Name** |
| TSFI0120 | 1-Month Term SOFR +20bps Daily Return Index |
| TSFI0320 | 3-Month Term SOFR +20bps Daily Return Index |
| TSFI0620 | 6-Month Term SOFR +20bps Daily Return Index |
| TSFI1220 | 12-Month Term SOFR +20bps Daily Return Index |
| TSFI0150 | 1-Month Term SOFR +50bps Daily Return Index |
| TSFI0350 | 3-Month Term SOFR +50bps Daily Return Index |
| TSFI0650 | 6-Month Term SOFR +50bps Daily Return Index |
| TSFI1250 | 12-Month Term SOFR +50bps Daily Return Index |
| TSF10I01 | 1-Month Term SOFR +100bps Daily Return Index |
| TSF10I03 | 3-Month Term SOFR +100bps Daily Return Index |
| TSF10I06 | 6-Month Term SOFR +100bps Daily Return Index |
| TSF10I12 | 12-Month Term SOFR +100bps Daily Return Index |
| TSF15I01 | 1-Month Term SOFR +150bps Daily Return Index |
| TSF15I03 | 3-Month Term SOFR +150bps Daily Return Index |
| TSF15I06 | 6-Month Term SOFR +150bps Daily Return Index |
| TSF15I12 | 12-Month Term SOFR +150bps Daily Return Index |
| TSF20I01 | 1-Month Term SOFR +200bps Daily Return Index |
| TSF20I03 | 3-Month Term SOFR +200bps Daily Return Index |
| TSF20I06 | 6-Month Term SOFR +200bps Daily Return Index |
| TSF20I12 | 12-Month Term SOFR +200bps Daily Return Index |
| TSF25I01 | 1-Month Term SOFR +250bps Daily Return Index |
| TSF25I03 | 3-Month Term SOFR +250bps Daily Return Index |
| TSF25I06 | 6-Month Term SOFR +250bps Daily Return Index |
| TSF25I12 | 12-Month Term SOFR +250bps Daily Return Index |
| TSF30I01 | 1-Month Term SOFR +300bps Daily Return Index |
| TSF30I03 | 3-Month Term SOFR +300bps Daily Return Index |
| TSF30I06 | 6-Month Term SOFR +300bps Daily Return Index |
| TSF30I12 | 12-Month Term SOFR +300bps Daily Return Index |

These Benchmarks are administered and calculated by CME Group Benchmark Administration Limited (CBA), authorized and supervised, as a Benchmark Administrator by the UK Financial Conduct Authority.

| **BMR / RTS** | **BMR Benchmark Statement requirement** | **Administrator’s statement** |
| --- | --- | --- |
| **Article 27 (1) BMR** | Within two weeks of the inclusion of an administrator in the register referred to in Article 36, the administrator shall publish, by means that ensure fair and easy access, a benchmark statement for each benchmark or, where applicable, for each family of benchmarks, that may be used in the Union in accordance with Article 29. Where that administrator begins providing a new benchmark or family of benchmarks that may be used in the Union in accordance with Article 29, the administrator shall publish, within two weeks and by means that ensure a fair and easy access, a benchmark statement for each new benchmark or, where applicable, family of benchmarks. The administrator shall review and, where necessary, update the benchmark statement for each benchmark or family of benchmarks in the event of any changes to the information to be provided under this Article and at least every two years. | In order to facilitate fair and easy access, this Benchmark Statement appears on the Administrator’s website.  The Administrator shall ensure that this Benchmark Statement is updated in the event of any material changes and no later than every two years. |
| The Benchmark Statement shall: | | |
| **(a)** | clearly and unambiguously define the market or economic reality measured by the benchmark and the circumstances in which such measurement may become unreliable; | The CME Term SOFR Daily Return Indices measure the compound return for each of the CME Term SOFR Reference Rates, including spread adjusted versions. The initial value for each CME Term SOFR Daily Return Index is set to 100.000000 on September 21, 2021.  The CME Term SOFR Daily Return Indices may become unreliable as a result of insufficient input data or severe market disruption which affects the CME Term SOFR Reference Rates input data.  The input data used in the calculation of the CME Term SOFR Daily Return Indices consist of the four CME Term SOFR Reference Rates (1-Month CME Term SOFR, 3-Month CME Term SOFR, 6-Month CME Term SOFR, 12-Month CME Term SOFR). |
| **(b)** | lay down technical specifications that clearly and unambiguously identify the elements of the calculation of the benchmark in relation to which discretion may be exercised, the criteria applicable to the exercise of such discretion and the position of the persons that can exercise discretion, and how such discretion may be subsequently evaluated; | The CME Term SOFR Daily Return Indices do not include the use of discretion in the benchmark determination process. |
| **(c)** | provide notice of the possibility that factors, including external factors beyond the control of the administrator, may necessitate changes to, or the cessation of, the benchmark; and | There is the possibility that factors, including external factors beyond the control of the Administrator, may necessitate changes to, or the cessation of, the Benchmarks.  Where material changes to or the cessation of the Benchmarks become necessary, the Administrator will engage stakeholders and users by way of a public consultation.  Details of any consultation or cessation process will be published to the [CME Website](https://www.cmegroup.com/market-data/cme-group-benchmark-administration/publications.html).  All changes are reviewed and approved by the Term SOFR Oversight Committee. |
| **(d)** | advise users that changes to, or the cessation of, the benchmark may have an impact upon the financial contracts and financial instruments that reference the benchmark or the measurement of the performance of investment funds. | Changes to, or the cessation of, the Benchmarks may have an impact upon the financial contracts and financial instruments that reference the benchmark or the measurement of the performance of investment funds.  The Administrator advises users of the Benchmarks to regularly assess whether it remains appropriate, suitable and fit for purpose. Users should develop contingency provisions and fall-back plans in the event of the benchmark becoming unavailable. |
| **Article 27(2) BMR** | A benchmark statement shall contain at least: | |
| **(a)** | the definitions for all key terms relating to the benchmark; | See the Appendix for definitions used in this Benchmark Statement. |
| **(b)** | the rationale for adopting the benchmark methodology and procedures for the review and approval of the methodology; | The CME Term SOFR Daily Return Indices are a set of benchmarks, designed to represent the daily compound return for each of the CME Term SOFR Reference Rates. The CME Term SOFR Daily Return Indices are calculated and published for 1-month, 3-month, 6-month and 12-month Term SOFR Rates.  The Administrator regularly reviews the methodology to ensure that the Benchmarks remain representative of the economic reality intended to be represented.  Amendments to the methodology are proposed by the Administrator, after wide consultation with the relevant stakeholders, and approved by the Term SOFR Oversight Committee. |
| **(c)** | The criteria and procedures used to determine the benchmark, including a description of the input data, the priority given to different types of input data, the minimum data needed to determine a benchmark, the use of any models or methods of extrapolation and any procedure for rebalancing the constituents of a benchmark's index; | The CME Term SOFR Daily Return Indices measure the compound return for each of the CME Term SOFR Reference Rates. The initial value for each CME Term SOFR Daily Return Index is set to 100.000000 on September 21, 2021. The spread versions measure the compounded return for each of the CME Term SOFR Reference Rates including predefined spreads.  Details of the CME Term SOFR Reference Rates and are available at the [CME Term SOFR](https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr.html) web page.  CME Term SOFR Daily Return Indices will be calculated for each Business Day, in accordance with the recommended SIFMA US Holiday Schedule and will utilise the prior business day’s published CME Term SOFR rates as input data. |
| **(d)** | the controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors, to ensure consistency in the use of such judgement or discretion; | N/A – The methodology does not include the use of judgement or discretion in the benchmark determination process. |
| **(e)** | the procedures which govern the determination of the benchmark in periods of stress or periods where transaction data sources may be insufficient, inaccurate or unreliable and the potential limitations of the benchmark in such periods; | The CME Term SOFR Daily Return Indices utilise the CME Term SOFR Reference Rates as input data. The benchmark will be published each Business Day, in accordance with the recommended SIFMA US Holiday Schedule.  CBA may, with notification to the market, choose not to publish the CME Term SOFR Daily Return Indices on any given business day. |
| **(f)** | the procedures for dealing with errors in input data or in the determination of the benchmark, including when a redetermination of the benchmark is required; and | The Administrator has in place operating procedures to ensure the integrity of input data and prompt correction of calculation errors, including re-publication of the Benchmark.  If an error is not resolved before index calculation and publication, or if input data is revised retrospectively, a decision will need to be made whether to restate the CME Term SOFR Daily Return Indices. Restatement decisions are based on the materiality of the error which is determined based on all relevant factors, including the number of indices affected, the time between publication and when the error is detected, the size of the deviation between published and updated index levels, the data processing impact on clients and vendors, and general market conditions. Not all factors need to be present to warrant a restatement and some may be more determinative than others depending on the circumstances.  The Administrator will notify clients of instances where a re-publication is required, including via the publication of a notice to the [CME Website](https://www.cmegroup.com/market-data/cme-group-benchmark-administration/publications.html). |
| **(g)** | the identification of potential limitations of the benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs. | The calculation of the CME Term SOFR Daily Return Indices utilise CME Term SOFR as input data. The administrator monitors the CME Term SOFR Benchmark and the SOFR Futures market. |
| **RTS 1(1)** | The benchmark statement shall state: | |
| **(a)** | the date of publication of the statement and, where applicable, the date of its last update; | Please see the beginning of this document for the date of publication and last update. |
| **(b)** | where available, the international securities identification number (ISIN) of the benchmark or benchmarks; alternatively, for a family of benchmarks, the statement may provide details of where the ISINs are publicly accessible free of charge; | Not applicable to these Benchmarks |
| **(c)** | whether the benchmark, or any benchmark in the family of benchmarks, is determined using contributions of input data; | The Benchmarks are not determined using contributions of input data. |
| **(d)** | whether the benchmark or any benchmark in the family of benchmarks qualifies as one of the types of benchmarks listed under Title III BMR, including the specific provision by virtue of which the benchmark qualifies as that type. | The CME Term SOFR Daily Return Indices are Fixed Income benchmarks and are not classified as interest rate benchmarks in accordance with Article 18 of the BMR (Title III, Chapter 2). |
| **RTS 1(2)** | In defining the market or economic reality, the benchmark statement shall include at least the following information: | |
| **(a)** | a general description of the market or economic reality; | The CME Term SOFR Daily Return Indices are a set of benchmarks, designed to represent the daily compound return for each of the CME Term SOFR reference rates. The CME Term SOFR Daily Return Indices are calculated and published for 1-month, 3-month, 6-month and 12-month Term SOFR Rates. |
| **(b)** | the geographical boundaries, if any, of the market or economic reality; | The CME Term SOFR Daily Return Indices utilise the CME Term SOFR Reference Rates as input data which provide forward-looking estimates of overnight SOFR calculated and published by the Federal Reserve Bank of New York .  The Secured Overnight Financing Rate (SOFR) is calculated and published by the Federal Reserve Bank of New York (NY Fed).  The use of US Dollars stretches globally and consequently the use of the Benchmark has no geographical limitations. |
| **(c)** | any other information that the administrator reasonably considers to be relevant or useful to help users or potential users of the benchmark to understand the relevant features of the market or economic reality. | The CME Term SOFR Daily Return Indices utilise the CME Term SOFR Reference Rates as input data. The SOFR Futures market underpinning the CME Term SOFR Reference Rates, has grown to above 1.9 million contracts (over $2.6 trillion in notional equivalent principal value). |
| **RTS 1(3)** | In defining the potential limitations of the benchmark and the circumstances in which the measurement of the market or economic reality may become unreliable, the benchmark statement shall include at least: | |
| **(a)** | a description of the circumstances in which the administrator would lack sufficient input data to determine the benchmark in accordance with the methodology. | The CME Term SOFR Daily Return Indices utilise the CME Term SOFR Reference Rates as input data. The accuracy and reliability of the Benchmarks could no longer be ensured in the event of the input data being unavailable. |
| **(b)** | where relevant, a description of instances when the accuracy and reliability of the methodology used for determining the benchmark can no longer be ensured, such as when the administrator deems the liquidity in the underlying market as insufficient; |
| **(c)** | any other information that the administrator reasonably considers to be relevant or useful to help users and potential users to understand the circumstances in which the measurement of the market or economic reality may become unreliable, including a description of what might constitute an exceptional market event. | The CME Term SOFR Daily Return Indices rely on the regular functioning of CME Term SOFR Reference Rates. If the SOFR Futures market was not operating due to severe disruptions or regulatory limitations to their normal functioning reliable, the representation of underlying markets could be severely affected. |
| **RTS 1(4)** | In specifying the controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors in calculating the benchmark or benchmarks, the benchmark statement shall include an outline of each step of the process for any ex post evaluation of the use of discretion, together with a clear indication of the position of any person(s) responsible for carrying out the evaluations. | The CME Term SOFR Daily Return Indices do not include discretion or expert judgement at any step of their daily determination process. |
| **RTS 1(5)** | In specifying the procedures for review of the methodology, the benchmark statement shall at least outline the procedures for public consultation on any material changes to the methodology. | The methodology provides that the Administrator will consult with stakeholders on material changes to the methodology.  Consultation will ordinarily consist of publishing of proposals, providing stakeholders with a reasonable time to respond and publishing actions as a result of the consultation.  In addition, the Term SOFR Oversight Committee can request the Administrator to consult on any change as appropriate.  Details of any consultation, including a summary of the results, will be published to the [CME Website](https://www.cmegroup.com/market-data/cme-group-benchmark-administration/publications.html). |
| **RTS 2** | In addition to the information to be included pursuant to Article 1, for a regulated-data benchmark or, where applicable, family of regulated-data benchmarks, the benchmark statement shall state at least the following in its description of the input data: | |
| **(a)** | the sources of the input data used; | N/A – Not a regulated data benchmark |
| **(b)** | for each source, the relevant type, as listed in Article 3(1)(24) of Regulation (EU) 2016/1011. | N/A – Not a regulated data benchmark |
| **RTS 3** | In addition to the information to be included pursuant to Article 1, for an interest rate benchmark or, where applicable, family of interest rate benchmarks, the benchmark statement shall include at least the following information: | |
| **(a)** | a reference alerting users to the additional regulatory regime applicable to interest rate benchmarks under Annex I to Regulation (EU) 2016/1011; | N/A – Not an interest rate benchmark |
| **(b)** | a description of the arrangements that have been put in place to comply with that Annex. | N/A – Not an interest rate benchmark |
| **RTS 4** | In addition to the information to be included pursuant to Article 1, for a commodity benchmark or, where applicable, family of commodity benchmarks, the benchmark statement shall at least: | |
| **(a)** | indicate whether the requirements of Title II of, or Annex II to, Regulation (EU) 2016/1011 apply to the benchmark, or family of benchmarks as prescribed by Article 19 of that Regulation; | N/A – Not a commodity benchmark |
| **(b)** | include an explanation as to why Title II of or, as the case may be, Annex II to that Regulation applies; | N/A – Not a commodity benchmark |
| **(c)** | include in the definitions of key terms a concise description of the criteria that define the relevant underlying physical commodity; | N/A – Not a commodity benchmark |
| **(d)** | where applicable, indicate where the explanations are published that the administrator is required to publish under paragraph 7 of Annex II to that Regulation. | N/A – Not a commodity benchmark |
| **RTS 5** | In addition to the information to be included pursuant to Article 1, for a critical benchmark, or, where applicable, a family of benchmarks that contains at least one critical benchmark, the benchmark statement shall include at least the following information: | |
| **(a)** | a reference alerting users to the enhanced regulatory regime applicable to critical benchmarks under Regulation (EU) 2016/1011; | N/A – Not a critical benchmark |
| **(b)** | a statement indicating how users will be informed of any delay in the publication of the benchmark or of any re-de-termination of the benchmark and indicating the (expected) duration of measures. | N/A – Not a critical benchmark |
| **RTS 6** | In addition to the cases referred to in the third subparagraph of Article 27(1) of Regulation (EU) 2016/1011, an update of the benchmark statement shall be required whenever the information contained in the statement ceases to be correct or sufficiently precise, and including in any event in the following cases: | |
| **(a)** | whenever there is a change in the type of the benchmark; | This Benchmark Statement shall be updated where information contained within it ceases to be correct or sufficiently precise, including where there is a change to the type of input data. |
| **(b)** | whenever there is a material change in the methodology used for determining the benchmark or, if the benchmark statement is for a family of benchmarks, in the methodology used for determining any benchmark within the family of benchmarks. | This Benchmark Statement shall be updated where there is a material change in the methodology used for determining the Benchmarks . |

# Appendix I – Key Terms & Definitions

Capitalised terms used in this Benchmark Statement that are not otherwise defined have the meaning set out below:

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| TERM | DESCRIPTION |
| Administrator | CME Group Benchmark Administration Limited |
| CBA | CME Group Benchmark Administration Limited |
| BMR | Benchmark Regulation |
| FED | Federal Reserve System |
| NY FED | Federal Reserve Bank of New York |
| RTS | Regulatory Technical Standard |
| SOFR | Secured Overnight Financing Rate |

1. **Appendix II – ESG Disclosures**

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| Explanation of how ESG Factors are Reflected in the Key Elements of the Benchmark Methodology | | |
| Item 1 | Name of the benchmark administrator. | CME Benchmark Administration Limited |
| Item 2 | Type of benchmark or family of benchmarks. | Fixed Income |
| Item 3 | Name of the benchmark or family of benchmarks. | CME Term SOFR Daily Return Indices |
| Item 4 | Are there in the portfolio of the benchmark administrator any Climate Transition Benchmarks, Paris-aligned Benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors? | No |
| Item 5 | Does the benchmark or family of pursue ESG objectives? | No |
| Item 10 | Does the benchmark align with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement | No |
| The temperature scenario, in accordance with international standards, used for the alignment with the target of reducing GHG emissions or attaining of the objectives of the Paris Agreement | N/A |
| The name of the provider of the temperature scenario used for the alignment with the target of reducing GHG emissions or the attainment of the objectives of the Paris Agreement | N/A |
| The methodology used for the measurement of the alignment with the temperature scenario | N/A |
| The hyperlink to the website of the temperature scenario used | N/A |

