

Post Publication Re-determination Policy

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Contents

1	Introduction	3
2	Governance	3
2.1	Policy Review	3
3	Rationale for Re-determination Policy.....	3
3.1	Examples of Potential Errors in the Benchmarks Publication	4
3.1.1	Calculating Agent calculation or distribution error.....	4
3.1.2	Panel Bank error when submitting Input Data.....	4
3.1.3	Amendment to Central Bank, Financial Market Commission or National Statistical Institute published rates, data or Indices	4
4	Threshold for Re-determination.....	5
4.1	TAB Nominal, TAB UF and TADO.....	5
4.2	ICP Nominal and ICP Real indices	5
4.3	Variations to Threshold Values.....	5
4.4	Example of Threshold Application	5
5	Process for Re-determination.....	6
5.1	Notification of Erroneous Input Data by Panel Banks.....	6
5.2	Method of Notification.....	6
5.3	Determination of Corrected the Benchmarks Values	7
5.4	Threshold Comparison.....	7
5.5	Internal Confirmation	7
5.6	Internal Communication	7
5.7	Market Communication.....	7
5.8	Publication of Re-determined Values	7
6	Reporting	8
6.1	Calculating Agent Calculation Error or Distribution Error.....	8
6.2	Panel Bank Reporting.....	8
6.3	CBF Records	8
6.4	Procedural Records	8
7	Effect.....	8

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1 Introduction

This policy has been developed to outline the steps the CBF, as administrator of the Benchmarks¹ and Indices², will take in situations where erroneous Benchmarks or Indices Data has been discovered to have been published. The rationale in respect to developing this re-determination policy balances the inconvenience to end-users of a re-determination (and the potential for market disruption) with the overriding requirement that the Benchmarks and Indices must be an accurate reflection of the underlying economic reality that they are designed to measure.

Variations beyond a prescribed threshold would trigger a re-determination and distribution of new Benchmarks or Indices values (re-determined values).

Re-determination of rates will only take place on the day of publication and within a timeframe determined by the CBF and endorsed by the Oversight Committee.

This policy describes;

- Governance of the policy.
- Rationale for re-determination.
- Examples of erroneous Data and Benchmark and Indices calculation errors.
- Thresholds for re-determination.
- Processes and procedures for re-determination.
- Notifications to the market.
- Record keeping.

2 Governance

This re-determination policy will be the responsibility of the CBF Board.

The Oversight Committee will review and endorse the policy or make recommendations regarding how the policy could be improved.

The CBF Helpdesk will manage all operational procedures, and in the case of a re-determination will manage the processes in accordance with this policy.

Panel Banks, through their responsibilities outlined in the Panel Bank Code of Conduct, will be responsible for ensuring that any errors in Input Data are reported to the CBF in accordance with this policy.

2.1 Policy Review

This policy will be reviewed on an annual basis.

3 Rationale for Re-determination Policy

In the case that the CBF publishes the Benchmarks or Indices rates that do not accurately reflect the calculation methodology, and which would have a material effect on the users of the Benchmarks or Indices, a re-determination of affected rates will allow any material errors to be corrected within a reasonable timeframe.

¹ TAB Nominal, TAB UF, and TADO

² ICP and ICP (Real)

3.1 Examples of Potential Errors in the Benchmarks Publication

There are three principle reasons why the Benchmarks or Indices values published, during the normal course of operations may be erroneous as detailed in 3.1.1, 3.1.2 and 3.1.3 below.

3.1.1 CALCULATING AGENT CALCULATION OR DISTRIBUTION ERROR

The CBF has policies and procedures to accurately capture Input Data for the Benchmarks from Panel Banks via secure connections, and from the Central Bank of Chile for the Indices.

Once collected, data validation processes check the incoming data for anomalies. The CBF Helpdesk will, if required under its procedures, check any anomalous submissions directly with the Panel Bank and seek clarification on the validity of the Input Data.

The CBF checks that the methodology is correctly applied via manual checks and compares this to the calculations made by the Calculating Agent System. Once these checks are completed the final Benchmark and Indices rates are distributed to information vendors for publication. Checks are made at the time of publication to ensure that published rates correspond with the Calculating Agent System and manual calculations.

Errors in the procedural calculation steps taken by the system, and the manual comparison checks made by operators could lead to errors in publication.

The Calculation Agent System may, due to internal systems errors, publish rates different from those calculated and displayed to operators.

These errors would be discovered by verification checks against rates published by vendors and the system displayed rates.

3.1.2 PANEL BANK ERROR WHEN SUBMITTING INPUT DATA

Erroneous Input Data by one or more Panel Banks may cause the final the Benchmarks value/s to be considered “materially altered” after the calculation methodology is applied.

The Panel Banks are required to meet the Input Data rules as defined in the Panel Bank Code of Conduct. Panel Banks are required to have policies and procedures to ensure Input Data meets the criteria set down by the CBF.

There are two potential opportunities for erroneous Input Data;

- I. Panel Banks have erroneously supplied Input Data to the CBF (incorrect submission) and have not been able to remediate prior to the 11:15am cut off time for submissions or have discovered this after the calculation methodology has been applied
- II. Panel Banks have used an automated method to submit Input Data to the CBF Calculating Agent System and through this process erroneous Input Data was submitted and could not be remediated prior to the 11:15am cut off time.

3.1.3 AMENDMENT TO CENTRAL BANK, FINANCIAL MARKET COMMISSION OR NATIONAL STATISTICAL INSTITUTE PUBLISHED RATES, DATA OR INDICES

Although recognized as highly unlikely, this policy considers the possibility that the Central Bank of Chile, Financial Market Commission or National Statistical Institute may amend a published rate, data or index due to a publishing error of their responsibility. In this circumstance, if the amended rates were published within the timeframe threshold prescribed in this policy, the CBF would recalculate the Indices using the amended Central Bank of Chile, Financial Market Commission or National Statistical Institute rate, data or index as input.

4 Threshold for Re-determination

The CBF and the Oversight Committee have considered the implications of a re-determination of one or more tenor rates sometime after publication and the impact on users of the Benchmarks in making such a change.

4.1 TAB Nominal, TAB UF and TADO

The Oversight Committee has determined that beyond an agreed threshold for each tenor, a re-determination should take place for any affected tenor.

The thresholds for a re-determination for each tenor value are as follows;

Tenor	TAB Nominal	TAB UF	TADO
30 days	> +/- 5 basis points	N/A	> +/- 7 basis points
60 days	N/A	N/A	> +/- 7 basis points
90 days	> +/- 5 basis points	> +/- 5 basis points	> +/- 7 basis points
180 days	> +/- 5 basis points	> +/- 5 basis points	> +/- 7 basis points
360 days	> +/- 5 basis points	> +/- 5 basis points	> +/- 7 basis points

4.2 ICP Nominal and ICP Real indices

For Indices, there would be a re-determination if the error is found after publication and before 9:00pm on the day of publication. The re-determined value will be published before 10:00pm.

In the case of a re-determination the next business day the indices will be calculated using the final published ICP Nominal value (calculation input).

4.3 Variations to Threshold Values

The Oversight Committee is responsible for making recommendations to the CBF Board for changes to the threshold levels. Once approved by the CBF Board, the re-determination policy will be updated and all stakeholders notified of the changes and the date when the changes will become effective.

4.4 Example of Threshold Application

The following is an example of how the re-determination policy would be applied:

- The TAB Nominal one-month tenor has been calculated based on all Input Data (for the one-month tenor) provided by Panel Banks. The rate 2.51 has been calculated and published at 11:30am.

- A Panel Bank contacts the CBF and informs them that they have provided the wrong Input Data for the one-month tenor after the calculation. They provide new Input Data for the one-month tenor.
- The CBF recalculates the one-month tenor, replacing the erroneous tenor value from the Panel Bank with the revised value.
- The new value for the one-month tenor is calculated at 2.57. The threshold for the one-month tenor is 0.05
- This new value exceeds the change threshold and will result in the new value of 2.57 being published as a re-determined rate.

5 Process for Re-determination

The re-determination process for the Benchmarks will have a number of stages.

11:30am – 12:45pm	Notification of erroneous Input Data or the Benchmarks value
12:45pm – 1:30pm	Checks to determine if a tenor value meets threshold for re-determination
1:30pm	Notification to stakeholders that a re-determination of a tenor value/s will take place
2:00pm	CBF will publish re-determined Benchmarks values

The re-determination process for the Indices will have a number of stages.

Post publication and before 9:00pm	Notification of erroneous Indices value or amendment to Central Bank of Chile or National Statistical Institute published rate
9:00pm	Notification to stakeholders that a re-determination of a tenor value/s will take place
10:00pm	CBF will publish re-determined Indices values

5.1 Notification of Erroneous Input Data by Panel Banks

Panel Banks have a responsibility to notify the CBF immediately on discovery of erroneous Input Data.

Panel Banks will have from 11:30am to 1:00pm to notify the CBF of any erroneous Input Data for the purposes of a re-determination calculation. Any other erroneous Input Data reported outside of the notification period will be documented and presented to the Oversight Committee for consideration in the context of continuous improvement measures. Information regarding such erroneous data will be published on the CBF website at www.cbf.cl on a quarterly basis following presentation to the Oversight Committee.

5.2 Method of Notification

Panel Banks will provide details of the original tenor rate/s supplied and the corrected rate via a template provided by CBF for this purpose. The Panel Bank will need to provide authorisation from the original submitter and a senior representative of the bank.

On receipt of the template the CBF will contact the bank and confirm the corrected rate/s.

5.3 Determination of Corrected the Benchmarks Values

CBF operators will input the corrected rate/s into the Calculating Agent System and determine new benchmark values.

5.4 Threshold Comparison

CBF Helpdesk Operators will compare the new benchmark values against the published values and determine if the threshold for re-determination has been exceeded.

In the case that the value does not meet the threshold, no further action will be taken and no re-determination will occur. In the case that the threshold has been exceeded, preparations for the next steps in the re-determination process will be activated.

5.5 Internal Confirmation

The CBF Manager will perform checks on the re-determination process and will confirm that a re-determination of one or more tenor values will take place. If the CBF Manager is unavailable, then in such circumstances the delegated alternative will provide confirmation.

5.6 Internal Communication

Upon confirmation, either by the CBF Manager or the delegated alternative, an email communication will be sent by that individual to the CBF Secretariat, the CBF Board and the CBF Compliance Officer to inform the recipients that a re-determination of one or more tenor values will take place, providing a brief but clear description of the reason for the re-determination.

5.7 Market Communication

The CBF will communicate to the market as soon as a re-determination is required, but no later than 2:00pm for the Benchmarks or 9:00pm for the Indices.

The means of communicating that a re-determination will take place includes;

1. An update on the CBF website.
2. Email communications and telephone calls with information vendors to advise of a re-determination and for them to advise their customers via market alerts of a re-determination
3. Email to subscribers that a re-determination will take place via their key contact details.

5.8 Publication of Re-determined Values

The CBF will republish:

- All Benchmark tenor rates at 2:00pm, which will include the re-determined tenor rate/s; and/or
- All ICP Indices at 10:00pm, which will include the re-determined indices.

6 Reporting

6.1 Calculating Agent Calculation Error or Distribution Error

Any incidents of calculation error or distribution error will be documented and reported to the Oversight Committee for consideration.

6.2 Panel Bank Reporting

The CBF will request further information from the Panel Bank that provided erroneous Input Data and this will be evaluated by the CBF Secretariat and will be reviewed by the Oversight Committee. Panel Banks must provide a root cause analysis of the error and procedures it intends to put in place to rectify the situation in the future.

6.3 CBF Records

The CBF will store the original published rates and the re-determined rates in its Calculating Agent System. The final re-determined rate will be used for all analytical purposes as the official rate for that day.

6.4 Procedural Records

The CBF will keep records of the following;

- Communications with the Panel Bank that advised of erroneous Input Data
- Template with corrected rates and internal sign off by the Panel Bank
- Procedural steps and internal sign off by CBF Helpdesk Operators on SharePoint
- Internal communication confirming the re-determination
- Incident report regarding re-determination.

7 Effect

These procedures detailed in this document shall take effect on 1 July 2021.