

Calculation Methodologies  
TAB Nominal, TAB UF, TADO, ICP, ICP (Real)

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# 1 Definitions

For the purposes of the Benchmarks and Indices Calculation Methodologies (herein referred to the Methodologies) the following definitions shall apply:

- a) **Rate** shall mean the benchmarks Tasa Activa Bancaria Nominal (TAB Nominal), Tasa Activa Bancaria en Unidad de Fomento (TAB UF), and Tasa Activa Bancaria en Dólares (TADO). The benchmarks are uniform in design and methodology apart from the currency denominations that are represented.
- b) **Benchmark Administrator** shall mean the Chilean Benchmark Facility SpA (CBF), incorporated in Chile.
- c) **Bank Business Day** shall mean a day when banks are open in Chile
- d) **Indices** shall mean the índices Índice de Cámara Promedio (ICP) and Índice de Cámara Promedio Real (ICP (Real)).
- e) **Input Data** shall mean the 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 the CBF to determine the Benchmarks and Indices. The CBF uses complementary data to compute the benchmarks and indices such as volumes of deposits, inflation expectations and reserve requirements.
- f) **Panel Bank** shall mean a supervised entity by the Financial Market Commission (*Comisión para el Mercado Financiero de Chile*, CMF), that contributes Input Data to the CBF that meets the criteria for inclusion on the benchmarks panel.
- g) **The Oversight Committee** shall mean the committee (**the Committee**) within the CBF that has the primary governance oversight of the methodologies, determination and dissemination of the Benchmarks and Indices. The Committee's purpose is to support the integrity, accuracy and reliability of the Benchmarks and Indices for the benefit of all users of the Benchmarks and Indices including reliant market participants.

## 2 Definitions and Calculation of the Benchmark Rates

### Definitions

The Tasa Activa Bancaria (or TAB Nominal) is a benchmark rate that represents the average cost of funding, including reserve requirements, from banks within the Chilean institutional deposits market in Chilean Pesos (CLP).

The Tasa Activa Bancaria en UF (or TAB UF) is a benchmark rate that represents the average cost of funding, including reserve requirements, from banks within the Chilean institutional deposits market in Unidad de Fomento (CLF).

The Tasa Activa Bancaria en Dólares (or TADO) is a benchmark rate that represents the average cost of funding, including reserve requirements, from banks within the Chilean institutional deposits market in United States Dollars (USD).

### Calculation

2.1 The Input Data for the calculation of the Rates shall be submitted by Panel Banks to the CBF every Bank Business Day between 9:00am and 11:00am local time. The preparation of Input Data for submission by Panel Banks is detailed in the CBF Panel Bank Code of Conduct.

2.2 The information sent by a panel Bank will only be used for the calculation of any of the Rates categories (TAB UF, TAB Nominal and TADO) provided that the bank submits the corresponding information for all the periods of that category. Each rate will be calculated based on the contributions from Panel Banks listed in CBF website.

2.3 The CBF shall check the formal correctness of the Input Data between 9:00am and 11:00am local time and resolve any anomalies directly with the Panel Bank in question. Panel Banks may, exceptionally, alter their Input Data at that time, but not later than 11:15am local time.

2.4 The calculation of the Rates shall take place at 11:00am local time, or at 11:15am in case that Input Data is rectified as per Clause 2.3.

2.5 In the case that Input Data submitted by Panel Banks is insufficient to perform the Rates calculation, i.e. the sum of Panel Banks demand deposits and term deposits net of clearing is less than 20% of total financial system demand deposits and term deposits net of clearing, then the CBF will calculate the Rates using the non-quorum methodology as detailed in section 6 of this document. This criteria must be assessed for each of the Rates (TAB Nominal, TAB UF, and TADO).

2.6 In case of maintenance of the situation foreseen in the preceding letter for three Bank Business Days, the CBF shall communicate such a situation to the Chairperson of the Oversight Committee, for them to call for an extraordinary session of the Oversight Committee to evaluate the measures to be taken, which shall in any event be held within three Bank Business Days following the communication carried out by the CBF.

2.7 The Rates will be published at 11:30am local time and shall be considered definite. This shall not rule out the possibility for the CBF to publish a re-determined rate before 2:00pm local time at the latest, having announced the intention to republish corrected Benchmark rate by 1:30pm local time. Full details of this process are detailed in the 'CBF Post Publication Re-Determination policy' which is available on the CBF website.

2.8 In the event that the CBF Business Continuity Plan is initiated the methodologies applied for the calculation of the Rates will be unchanged.

## 3 Definitions and Calculation of the Indices

### Definitions

The ICP is an index of the average cost of funds, denominated in Chilean Pesos, for unsecured overnight (one day) borrowing in the Chilean interbank market.

The ICP (Real) index is a complimentary index of the average cost of funds, denominated in Unidad de Fomento (UF), for unsecured overnight (one day) borrowing in the Chilean interbank market.

### Calculation

3.1 The Indices are calculated daily based on data published by the Central Bank of Chile on their website<sup>1</sup>. The Input Data used for the calculation is the Average Interbank Interest Rate (Tasa de Interés Promedio Interbancaria (TIB)) and the value of the Unidad de Fomento (UF) in Pesos used for the calculation of ICP (Real). TIB represents the average daily interest rate, for Peso denominated lending in the Chilean interbank market, and is calculated at the close of each day by the Central Bank of Chile.

3.2 The initial value of both the ICP and the ICP (Real) was 10,000 corresponding to the index value on the 2<sup>nd</sup> of September of 2002, and will vary daily, according to each respective formula.

3.3 The calculation of the Indices occurs when the TIB data is made available by the Central Bank of Chile and will be performed as section 5 describes. CBF will publish the calculated Indices for the next Bank Business Day, before 8:00pm each Bank Business Day.

3.4 In the case that the Central Bank of Chile does not publish the TIB by 7:30pm on any given Bank Business Day, the Indices are calculated instead using Monetary Policy Interest rate (*Tasa de Política Monetaria*, TPM), the Central Bank of Chile's benchmark interest rate. Should this situation continue for three Bank Business Days, an exceptional meeting of the Oversight Committee will be convened, following three Bank Business Days, to consider the circumstances and make appropriate decisions in respect to the immediate future publication of Indices.

3.5 In the case that in the Chilean Interbank Market there are no transactions, or the number of participants is less than three, the Central Bank of Chile will not publish a TIB rate. In this instance the Indices are calculated using the TPM rate.

3.6 Once announced and published, the Indices shall be definite. This shall not rule out the possibility for the CBF to publish a re-determined Index before 10:00pm local time at the latest, having announced the intention to republish corrected Benchmark rate by 9:00pm local time. Full details of this process are detailed in the 'CBF Post Publication Re-Determination policy' which is available on the CBF website. In the case of a re-determination the next Bank Business Day the indices will be calculated using the final published ICP Nominal value (calculation input).

3.7 In the event that the CBF Business Continuity Plan is initiated the Methodology applied for the calculation of the Indices will be unchanged.

## 4 Rates Calculation Methodologies

The calculation for the Rates entails using the weighted average of Input Data provided by Panel Banks. The Input Data is weighted according to the deposit market share (after tails exclusion) of each Panel Bank. An example of the weighting application is contained in Appendix 1.

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<sup>1</sup> According to "Carta Circular a Bancos N° 493" from Central Bank of Chile.

## 4.1 TAB Nominal

TAB Nominal is defined by:

$$TAB_d^{Nom} = \frac{\bar{r}_d^{Nom}}{1 - e}$$

Where:

- $\bar{r}_d^{Nom} = \sum_j w_j r_{d,j}^{Nom}$ : is the weighted average marginal rate at which banks  $j$  get funds in the institutional market, where the borrowing is denominated in Chilean Pesos (CLP). This rate is a trimmed weighted average ( $w_j = \frac{c_j}{\sum_s c_s}$ ), weighted according to the bank's market share ( $c_j$ ) relative to the Chilean Pesos bank deposits from the set of submitting banks ( $c_s$ )<sup>2,3</sup>.
- $d$ : are the TAB Nominal's different maturities,  $d \in \{30, 90, 180, 360\}$  days
- $e$ : is the Chilean Central Bank's reserve requirement to deposits. It's a fixed coefficient set equal to 3.6%<sup>4</sup>.

All rates are expressed as percentages in annual terms.

$TAB_d^{Nom}$  is rounded to 2 decimals<sup>5</sup>.

## 4.2 TAB Unidad de Fomento (UF)

TAB UF is defined by:

$$TAB_d^{UF} = \frac{\bar{r}_d^{UF} + e \cdot E[\pi_d]}{1 - e}$$

Where:

- $\bar{r}_d^{UF} = \sum_j w_j r_{d,j}^{UF}$ : is the weighted average marginal rate at which banks  $j$  get funds in the institutional market, where the borrowing is denominated in Unidad de Fomento (UF-CLF). This rate is a trimmed weighted average ( $w_j = \frac{c_j}{\sum_s c_s}$ ), weighted according to the bank's market share ( $c_j$ ) relative to the UF bank deposits from the set of submitting banks ( $c_s$ ).
- $d$ : are the TAB UF's different maturities,  $d \in \{90, 180, 360\}$  days
- $e$ : is the Chilean Central Bank's reserve requirement to deposits. It's a fixed coefficient set equal to 3.6%.
- $E[\pi_d]$ : is the expected variation of Consumer Price Index (CPI). This is set by the following formula for different maturities:

$$E[\pi_d] = \left[ \left( \prod_{k=1}^{\left\lfloor \frac{d}{30} \right\rfloor} (1 + \phi_k) \right)^{\frac{360}{d}} - 1 \right] \cdot 100$$

- $\phi_k$ : is the expected inflation on month  $k$ . This is a truncated average weighted on total deposits of submitting banks, based on a weekly bank's report for the next six-month expected inflation<sup>6</sup>.
- One-year expected inflation is equal to six-month expectation;  $E[\pi_{360}] = E[\pi_{180}]$
- Consider for example the expected inflations of the following six months 0.12%, 0.42%, 0.31%, 0.23%, 0.14% and 0.62%.  $E[\pi_d]$  would be:

$$E[\pi_{90}] = \left[ \{(1.0012)(1.0042)(1.0031)\}^{\frac{360}{90}} - 1 \right] \cdot 100$$

$$E[\pi_{180}] = \left[ \{(1.0012)(1.0042)(1.0031)(1.0023)(1.0014)(1.0062)\}^{\frac{360}{180}} - 1 \right] \cdot 100$$

All rates are expressed as percentages in annual terms.

Final  $TAB_d^{UF}$  is rounded to 2 decimals.

<sup>2</sup> Details of trimming are explained in section 4.5.

<sup>3</sup> This average rate is rounded to 15 decimals. This also applies for TAB UF and TADO.

<sup>4</sup> Chapter 3.1 Compendium of Monetary and Financial Standards ([www.bcentral.cl](http://www.bcentral.cl)).

<sup>5</sup> Round half towards zero. This also applies for TAB UF and TADO.

<sup>6</sup> Details on this coefficient are explained in section 4.4

### 4.3 TADO

TADO is defined by:

$$TADO_d = \frac{\bar{r}_d^{USD}}{1 - e}$$

Where:

- $\bar{r}_d^{USD} = \sum_j w_j r_{d,j}^{USD}$ : is the weighted average marginal rate at which banks  $j$  get funds in the institutional market, where the borrowing is denominated in United States Dollar (USD). This rate is a trimmed weighted average ( $w_j = \frac{c_j}{\sum_s c_s}$ ), weighted according to the bank's market share ( $c_j$ ) relative to the USD bank deposits from the set of submitting banks ( $c_s$ ).
- $d$ : are the TADO's different maturities,  $d \in \{30, 60, 90, 180, 360\}$  days
- $e$ : is the Chilean Central Bank's reserve requirement to deposits. It's a fixed coefficient set equal to 3.6%.

All rates are expressed in annual terms.

Final  $TADO_d$  is rounded to 2 decimals.

### 4.4 Inflation Expectations

Panel Bank contributions are submitted to the CBF every Tuesday or the following Bank Business Day if a holiday. Results are published on the CBF website<sup>7</sup> and used from the following Bank Business Day until the next Tuesday or the following Bank Business Day if a holiday.

- For each month  $k$  calculate the median of the reports  $MED(E[\pi_k])$ .  $k \in \{30, 60, 90, 120, 150, 180\}$ .
- Exclude any observation if the expected inflation of bank  $j$  is more than  $MED(E[\pi_k]) + 0.2$  or less than  $MED(E[\pi_k]) - 0.2$ <sup>8</sup>:

$$E[\pi_{k,j}] = \begin{cases} \text{exclude,} & E[\pi_{k,j}] < MED(E[\pi_k]) - 0,2 \text{ or} \\ & E[\pi_{k,j}] > MED(E[\pi_k]) + 0,2 \\ \text{include,} & \text{othercase} \end{cases}$$

- Calculate the weighted average of Inflation Expectations:

$$\phi_k = \sum_j w_j \cdot E[\pi_{k,j}]$$

With the following weighted for each bank:

$$w_j = \frac{c_j}{\sum_s c_s}$$

Where  $c_j$  is total deposits of bank  $j$ .

### 4.5 Procedure for Trimmed Average Weight

#### 4.5.1 INPUT DATA USED IN BANK WEIGHTS ( $C_j^x$ )

Total deposits monthly used in the weights of each bank data are obtained based on Panel Banks' balance sheets in the most recent report which can be downloaded from the CMF's website<sup>9 10</sup>.

For each Panel Bank the file "b1yyyyymmccc.txt" is used, when "yyyy" is year of t-2 month, "mm" is t-2 month and "ccc" is a CMF three-digit bank code. Each text-file had five columns, first one is the financial statement's account code, second one is total account in Chilean Peso (that is used for TAB Nominal), third one in UF

<sup>7</sup> Public Inflation Expectations are rounded at 2 decimals. Round half towards zero.

<sup>8</sup> All units expressed in percentages.

<sup>9</sup> Balance sheets can be obtained in section "Reportes Financieros Mensuales" in CMF website.

<sup>10</sup> Publication calendar can be obtained in section "Agenda publicaciones Bancos y Cooperativas" in CMF website.

(for TAB UF), fourth one in re-adjustable to exchange rate, and fifth one in foreign currency (for TADO)<sup>11</sup>. For inflation expectations total deposits are used as the sum of second to fifth column.

Finally, for each currency and total deposits, the weights are calculated according to Panel Banks demand deposits and term deposits. Table 1 below presents accounts used, calculation formula and an example:

**Table 1 - Weights**

Account	Code <sup>12</sup>	Account total in Pesos ( $C_j^{Nom}$ )	Account total in UF ( $C_j^{UF}$ )	Account total in readjustable currency by Exchange Rate	Account total in Foreign Currency ( $C_j^{USD}$ )	Total Deposits ( $C_j$ )
Demand deposits and others demand liabilities.	241000000	\$7,215,218	\$414,216	\$22	\$896,887	\$8,526,343
+ Term deposits and others term liabilities.	242000000	\$10,625,095	\$1,163,850	\$0	\$1,146,758	\$12,935,703
- Clearing	107000100	\$136,295	\$0	\$0	\$18,966	\$155,261
<b>= Weight (<math>C_j^x</math>)</b>		<b>\$17,704,018</b>	<b>\$1,578,066</b>		<b>\$2,024,679</b>	<b>\$21,306,785</b>

**Notes:** In the example, all values are expressed in millions of Chilean pesos.

#### 4.5.2 TRIMMED AVERAGE WEIGHT

This section describes the procedure for the trimmed average weighted for each currency  $x = \{UF, Nom, USD\}$ . For simplicity, a 10-bank report example is used for one currency and one maturity:

- Calculate weights based on deposits for currency  $x$  and bank  $j$ <sup>13 14</sup>:

$$w_j^x = \frac{c_j^x}{\sum_s c_s^x}$$

- Sort bank reports in ascendant order for maturity  $d$  like the second column of Table 2 below.
- Generate a new sample with an expansion based on the multiplication of weights by 10,000 like fourth column of Table 2. In this case it is assumed that there are 1,585 institutions with a rate equal of bank 1 (3.14), 86 from bank 2 and so on.
- Based on the new sample, exclude the first 1,500 observations from bottom and top of the sample, in this case 1,500 observations from bank 1, 617 from bank 10, 290 from bank 9 and 593 observations from bank 8, like the sixth column of Table 2.
- Finally, calculate a weighted average based on the weights of final observations:

$$\bar{r}_d^x = \frac{\sum_j s_{d,j}^x \cdot r_{d,j}^x}{\sum_j s_{d,j}^x}$$

**Table 2**

<sup>11</sup> All currencies are expressed in chilean pesos.

<sup>12</sup> The codes are subject to modifications by CMF.

<sup>13</sup> Weights are rounded to 4 decimals.

<sup>14</sup> Sum of Panel Bank's deposits is based on Panel Bank with reports in each day, i.e. submitting banks.

Bank	Report ( $r_{d,j}^x$ )	Weights ( $w_j^x$ )	Multiplier	New Sample Observations	Final Observations ( $s_{d,j}^x$ )
B1	3.14	0.1585	10,000	1,585	85
B2	3.18	0.0086	10,000	86	86
B3	3.28	0.1865	10,000	1,865	1,865
B4	3.50	0.0502	10,000	502	502
B5	3.67	0.1562	10,000	1,562	1,562
B6	3.70	0.1433	10,000	1,433	1,433
B7	3.70	0.0315	10,000	315	315
B8	3.83	0.1745	10,000	1,745	1,152
B9	4.00	0.0290	10,000	290	0
B10	4.12	0.0617	10,000	617	0
<b>Total</b>		<b>1</b>		<b>10,000<sup>15</sup></b>	<b>7,000</b>

## 5 Indices Calculation Methodologies

### 5.1 Calculation of ICP

The ICP is calculated according to the following formula:

$$ICP_i = ICP_{i-1} * \left( 1 + \frac{TIB_{base\ anual\ (i-1)}}{100} * \frac{Ndías}{360} \right)$$

Where:

- $ICP_i$  = Índice de Cámara Promedio of day i
- $ICP_{i-1}$  = Índice de Cámara Promedio of previous Bank Business Day of day i.
- $TIB_{base\ anual\ (i-1)}$  = TIB of previous Bank Business Day of day i.
- $Ndías$  = Number of days, for which TIB of the previous Bank Business Day needs to be used. In general,  $Ndías$  will be equal to 1, except for days after a weekend or holidays, in which case it will be the number of non-Bank Business Days previous to day i, plus 1.

ICP is rounded to 2 decimals<sup>16</sup>.

### 5.2 Calculation of ICP (Real)

The ICP (Real) is calculated according to the following formula:

$$ICPR_i = \frac{ICP_{i-1} * \left( 1 + \frac{TIB_{base\ anual\ (i-1)}}{100} * \frac{Ndías}{360} \right)}{UF_i}$$

Where:

- $ICPR_i$  = Índice de Cámara Promedio Real of day i
- $ICP_{i-1}$  = Índice de Cámara Promedio of previous Bank Business Day of day i.
- $TIB_{base\ anual\ (i-1)}$  = TIB of previous Bank Business Day of day i.

<sup>15</sup> Given the approximation to fourth decimal of weights, sum of the new sample could not be equal to 10,000

<sup>16</sup> Round half towards zero. This also applies for ICP Real.

- $Ndías$  = Number of days for which TIB of the previous Bank Business Day needs to be used. In general,  $Ndías$  will be equal to 1, except for days after a weekend or holidays, in which case it will be the number of non-Bank Business Days previous to day  $i$ , plus 1.
- $UF_i$  = Value of the UF on day  $i$ <sup>17</sup>.
- $FI$  = Initial factor = 0.000060996698.

ICP Real is rounded to 2 decimals<sup>18</sup>.

## 6 Calculation in Non-quorum Scenario

In the event that the information reported by the panel Banks is insufficient to calculate the Rates, this means, if the sum of the deposits net of any banking reserve of the reporting banks is lower than 20% of the total deposits net of any banking reserve of the financial system, the CBF will publish, for that day the following formula for Rates ( $TAB_p$ )<sup>19</sup>:

$$TAB_p = TAB_{p,t-1} \cdot \alpha + TAB_{c,t} \cdot (1 - \alpha)$$

Where  $TAB_{p,t-1}$  is the previous day published rate, and  $TAB_{c,t}$  is the calculated rate of current day (applying traditional calculation methodology). Also,  $\alpha$  is a factor between 0 and 1, that depends on the number of reports based on the following table:

Range	Previous Day Weight ( $\alpha$ )	Current Day Weight ( $1 - \alpha$ )
0 Bank Reports and <20% of TD <sup>20</sup>	100%	0
1-2 Bank Reports and <20% of TD	75%	25%
3-4 Bank Reports and <20% of TD	50%	50%
5 or more Bank Reports and <20% of TD	25%	75%

In case of maintenance of the situation foreseen in the preceding letter for three banking working days, the CBF shall communicate such a situation to the Chairperson of the Oversight Committee, for them to call for an extraordinary session of the Oversight Committee to evaluate the measures to be taken, which shall in any event be held within three banking days following the communication carried out by the CBF.

## 7 Disclosure of and changes to the Methodologies

7.1 These Methodologies shall be published by the CBF via its website **Error! Hyperlink reference not valid.**

7.2 The method for calculating the Benchmarks and Indices given in Sections 4 and 5 may be changed by the CBF upon recommendation by the Oversight Committee and in accordance with the CBF Consultation Policy published in [www.cbf.cl](http://www.cbf.cl). When amendments are made to the Methodologies, the Panel Banks shall be given reasonable and adequate time to adjust their procedures and processes.

## 8 Effect

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

<sup>17</sup> UF values can be obtained in section "Indicadores diarios" in Central Bank website.

<sup>18</sup> Also, numerator of ICP Real formula will be rounded at two decimals before applying UF and FI factors.

<sup>19</sup>  $p$  refers to "published" as different of calculated ( $c$ )

<sup>20</sup> TD means "Total of Deposits", understand as "total deposits net of any banking reserve of the financial system"

# Appendix 1

## Example of weighting application

### Weighting Methodology

The submissions are weighted, according to the market share by deposit of each Panel Bank, relative to the total of the complete set of Panel Banks. The weighting is calculated monthly, from deposit figures published in the monthly reports of the Panel Banks' balance sheets by CMF. The published figures represent the total demand deposits and term deposits net of clearing (exchange) attributed to each Panel Bank. Weightings are calculated separately for each of the three Benchmarks and Inflation Expectations, using the deposit data published for the respective currencies and total deposits for Inflation Expectations.

Should at least one of the Panel Banks not make a submission on a given day, the remaining Panel Banks' weightings are normalised to represent a market share relative to the Panel Banks that have submitted on that given day.

### Treatment of Outliers

Average rates are calculated after removing 15%, by normalised market share, of the highest and lowest Input Data submissions. This is demonstrated below:

*Step 1: CBF receives the Input Data rates from the Panel Banks, checking for errors and rates not received (In this case, bank F didn't submit a rate)*

Bank	A	B	C	D	E	F
Rate Submission	1.8	2.9	2.3	3.3	2.5	-
Market Share	27%	13%	11%	23%	17%	9%

100%

Note: Rate deviation exaggerated for illustrative purposes

*Step 2: The Panel Banks are ordered by the rates they submitted, and the market share of each Panel Bank is normalised considering only the Panel Banks that submitted in that day, excluding the non-submitting banks of the calculation*

Bank	A	C	E	B	D	F
Rate Submission	1.8	2.3	2.5	2.9	3.3	-
Normalised Market Share	30%	12%	19%	14%	25%	X

100%

Step 3: The 15% highest and lowest market share is excluded from the remaining sample, and the remaining 70% of market share is used for the calculation, with the respective market share as the weighting

Bank	A(i)	A(ii)	C	E	B	D(i)	D(ii)	F
Rate Submission	1.8	1.8	2.3	2.5	2.9	3.3	3.3	-
Normalised Market Share	X	15%	12%	19%	14%	10%	X	X
	15%		70%				15%	

Step 4: The rate is then calculated as the weighted average of the remaining submissions, in this case: 2.51