

**Notice regarding recent developments relating to HICP**

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ISDA has been made aware that, on 22 February 2019, Eurostat, in its capacity as index sponsor, published an announcement in respect of certain revisions to the Harmonised Index of Consumer Prices (HICP). The announcement sets out the reasons for the revisions. The final paragraph of page 2 of the announcement contains a link to an excel spreadsheet, which sets out, amongst other things, a list of “implicit rebasing keys” (the “**Rebasing Keys**”) in respect of certain ancillary indexes, including the Harmonised Index of Consumer Prices all items excluding tobacco (HICPxT) (the “**Index**”).

ISDA held a call for its members today at 12 noon London time which was open to all member representatives from the buy and sell side community. Issues discussed on the call included:

- 1) Whether the events described in Eurostat’s announcements are events that a Calculation Agent might consider to constitute a rebasing of the index for the purposes of the 2008 ISDA Inflation Derivatives Definitions.
- 2) Whether the events described in Eurostat’s announcements might be considered to constitute a material change to an index under Section 2.4 of the 2008 ISDA Inflation Definitions.
- 3) The importance of understanding the actions (if any) being taken, or proposed to be taken, by the calculation agents under any relevant Related Bonds (including any Fallback Bonds) (each as defined in the 2008 ISDA Inflation Derivatives Definitions).

It was acknowledged on the call that:

- 1) It is for the Calculation Agent to determine whether or not the Index has been rebased and, consequently, any consensus achieved on the call or otherwise would not be binding.
- 2) “rebase” is not defined in the 2008 ISDA Inflation Derivatives Definitions and its meaning can only be determined on the basis of all relevant factual evidence together with appropriate legal interpretation.
- 3) No statement has been made by Eurostat in respect of the application of the Rebasing Keys to the Index.

- 4) A meeting of debt management offices (DMOs) was being held to discuss the Eurostat announcement. A participant on the call reported their understanding that one unnamed DMO did not consider that a rebasing of the Index had occurred.

No final conclusions were reached on the call and it was agreed that further discussion was required on these issues. A further call has been scheduled for 11.30 a.m. London time tomorrow. All ISDA members are encouraged to take part in this call and the views of buy side members would be particularly welcome. For dial in details, please contact Jonathan Martin ([jmartin@isda.org](mailto:jmartin@isda.org)) or Michelle Hurd ([mhurd@isda.org](mailto:mhurd@isda.org)).