



## ISDA Market Practice Guidance for German Consumer Price Index Rescaling

July 16, 2013

The International Swaps and Derivatives Association, Inc. (“ISDA”) announces the following guidance for parties to over-the-counter inflation derivative transactions that are affected by the rebasing of German Consumer Price Index (Bloomberg Ref: GRCP2000 as of 1 Jul 2013) (the “Index”) as of January 2013. ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly valuation and settlement of positions by market participants. Parties are not obliged to follow the guidance set forth below and may choose alternate means of addressing the event.

**Please Note: This Statement does not constitute legal, accounting or financial advice. Each participant in an affected transaction must satisfy itself that the recommendation is appropriate for the transaction and has been properly applied in the context of the transaction to reflect the commercial intention of the participants.**

### Statement

From and including the Index release for the reference month January 2013 onwards, the German Federal Statistical Office has ceased publishing Index levels using the base and methodology for the “2005=100” base series, and has commenced publishing Index levels for a new “2010=100” base series which also incorporates a new methodology. In addition the German Federal Statistical Office has also provided recomputed iIndex levels from 2010 incorporating the new base and methodology for the “2010=100” base series.

Given the cessation of the “2005=100” base series and the introduction of the 2010=100 base series which incorporates a new base and methodology, a Rebasing Key ( $C_{RB}$ ) is required to convert values from the old series to comparable numbers in the new series. The key is designed to ensure a seamless transition between the “2005=100” series and the “2010=100” series.

Many inflation-linked derivatives transactions provide that following such a Cessation of the Index and/or Rebasing of the Index, the Calculation Agent shall make such adjustments to the levels of the Old Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. As such, for these transactions, in order to maintain the economic integrity of the transactions, it is proposed that the same methodology is applied.

In the absence of a fallback bond, ISDA, in consultation with market participants, recommends calculation of the key as the ratio of the average of the 2012 index numbers between the new base and old base. **This would be 0.922406792174234**

	2005=100	2010=100
01-Jan-12	111.5	102.8
01-Feb-12	112.3	103.5
01-Mar-12	112.6	104.1
01-Apr-12	112.8	103.9
01-May-12	112.6	103.9
01-Jun-12	112.5	103.7
01-Jul-12	112.9	104.1
01-Aug-12	113.3	104.5
01-Sep-12	113.3	104.6
01-Oct-12	113.3	104.6
01-Nov-12	113.2	104.7
01-Dec-12	114.2	105
Average	112.8750	104.1167
Ratio	0.922406792174234	