



**Recommendation the rules and methods
of applying the POLSTR benchmark index
(or benchmark indices from the POLSTR
Compound Indices Family) when entering
into NEW CONTRACTS in PLN for
benchmark-based leasing products offered
by financial market entities**

**Document of the National Working Group
for benchmark reform**

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(or benchmark indices from the POLSTR Compound Indices Family) when entering
into NEW CONTRACTS in PLN for benchmark-based leasing products offered
by financial market entities**

(Project)

This Recommendation has been prepared to ensure accuracy and reliability in the application of benchmarks in contracts by financial market entities. This objective follows from REGULATION (EU) 2016/1011 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, and REGULATION (EU) 2021/168 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 February 2021 amending Regulation (EU) 2016/1011 as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No 648/2012 (hereinafter: BMR).

The Recommendation has been prepared by the Banking Products Stream of the National Working Group for benchmark reform based on analyses and discussion of experts. The Recommendation consists of the following recommendations on the rules for calculating interest.

The Recommendation also aims to provide financial market entities with **best practices for applying the POLSTR benchmark index** (Polish Short Term Rate) or benchmark indices from the POLSTR Compound Indices Family to calculate floating interest rate **when entering into new contracts with clients for benchmark-based products in PLN**.

These recommendations are not obligatory and they may be applied freely, considering the specific nature of each financial market entity and clients with whom the contracts are concluded.

Financial market entities may apply the POLSTR benchmark index (or benchmark indices from the POLSTR Compound Indices Family) to an extent other than as set forth in this Recommendation. The recommendations contained in this document are limited exclusively to the application of the POLSTR benchmark index (or benchmark indices from the POLSTR Compound Indices Family), while financial market entities may also apply other rates, reference rates or benchmarks, including in particular the reference rate of the National Bank of Poland (provided it does not contravene legal provisions), which remains beyond the scope of this recommendation.

Financial market entities may also apply, for the purpose of determining interest rate in contracts, the POLSTR benchmark index (or a benchmark index from the POLSTR Compound Indices Family) in a manner other than as described herein.

Likewise, financial market entities are not bound by the information requirements proposed herein.

Introduction:

1. It is recommended that when entering into a contract with a client, a reference should be made to the Rules of POLSTR Interest Rate Index, and in the case of the POLSTR Compound Indices Family to the Rules of POLSTR Compound Indices Family (hereinafter referred to as **Rules** or in respect of each of them **Regulation**) published on the Administrator's website. Information should also refer to the Administrator's statement of the POLSTR Interest Rate Index referred to in Article 27 of the BMR. Additional information for clients should be prepared on the basis of those documents.
2. The publication and provision of the POLSTR benchmark index (or benchmark indices from the POLSTR Compound Indices Family) is carried out on the basis of the Rules.
3. This recommendation does not refer to the method of determining product margins and various types of interest rate calculation formulas, which constitute a standard component of the final interest rate calculation and may be applied in contracts together with the POLSTR benchmark index (or benchmark indices from the POLSTR Compound Indices Family).

Leasing, leasing loans and other financial products offered by leasing companies

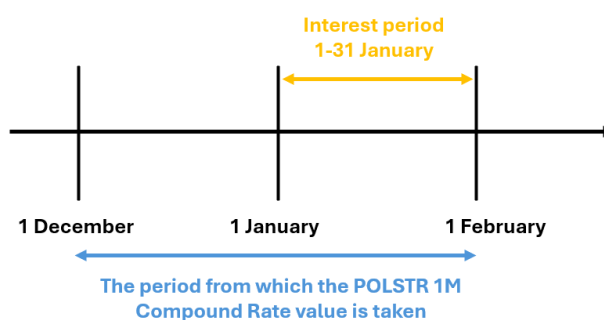
Recommendation

In leasing contracts, leasing loans and other financial products offered by leasing companies, when applying floating interest rate, it is recommended to use the POLSTR 1M Compound Rate benchmark index during the term of the floating interest rate in the contract.

The adopted value of the POLSTR 1M Compound Rate benchmark index is the value made available by the Administrator in accordance with the Rules.

It is recommended that the date of the POLSTR 1M Compound Rate benchmark index, from which the value of the POLSTR 1M Compound Rate benchmark index used for calculating the remuneration for a given period is derived, should be a date falling within the range, the beginning of which is a business day falling in the month before the commencement of the period for which the remuneration is calculated, and the end of which is the first business day following that period.

The above recommendation is illustrated by the following graphic scheme.



In accordance with the example for the interest period, i.e. 1-31 January, the value of the reference index from the index date may be adopted, e.g. 17 December, 2 January, 15 January, etc. However, the index date from which the value of the POLSTR 1M Compound Rate reference index is taken may not be earlier than 1 December and later than 1 February (assuming it is a business day).

Justification

Settlements between the leasing company and the Client under the concluded financing agreement are carried out based on VAT invoices or other accounting documents (e.g. debit notes) issued by the leasing company, which distinguishes the settlement process of leasing companies from analogous payments in the banking sector.

The specifics of the leasing industry and the preferences of Clients using financing have popularized the practice of issuing VAT invoices or other accounting documents for a given period with advance notice ensuring Clients comfort in making timely payments. In other words – the issuance of VAT invoices and other accounting documents may occur before or during the interest period. Such a document must therefore be issued early enough to reach the Client and for the Client to have sufficient time to settle the liability. The process of issuing and making available to Clients VAT invoices and other accounting documents requires time, hence the necessity to ensure leasing companies have the possibility to use an index known sufficiently in advance before the moment of issuing the given document.

Calculation of interest using the POLSTR 1M Compound Rate reference index from the first business day following the interest period will occur in situations where the intention of the contracting parties is to fully align the period on the basis of which the index and interest are calculated. According to the Rules of the POLSTR Compound Indices Family, the reference index date of the POLSTR Compound Rate is the next Business Day after the date of the POLSTR reference index, which was last used to determine the POLSTR Compound Rate (source: gpwbenchmark.pl).

However, the principle for determining the reference index date of the POLSTR 1M Compound Rate will be specified in each case in the contractual documentation.