

Recommendation on the methods of applying the WIRON benchmark (or benchmarks from the WIRON Compound Indices Family) when entering into new contracts in PLN for leasing products for benchmark-based products in PLN offered by financial market entities

Document of the National Working Group for benchmark reform

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(or benchmarks from the WIRON Compound Indices Family) when entering
into new contracts in PLN for leasing products for benchmark-based
products in PLN offered by financial market entities**

This Recommendation has been prepared to ensure proper and precise 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.

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

This Recommendation aims to provide financial market entities with **best practices for applying the WIRON benchmark (Warsaw Interest Rate Overnight) or benchmarks from the WIRON Compound Indices Family to calculate interest rate when entering into new contracts with clients for benchmark-based leasing products in PLN.**

These recommendations are not obligatory and they may be applied freely in terms of freedom of choice, considering the specific nature of each financial market entity and clients with whom the contracts are concluded. Financial market entities may apply the WIRON benchmark (or benchmarks from the WIRON Compound Indices Family) to an extent other than as set forth in this Recommendation, as well as other rates and/or benchmarks. For the purpose of determining interest rate in contracts, financial market entities may also adopt a value of the WIRON benchmark calculated otherwise – and apply it otherwise – than as described herein. Likewise, financial market entities are not bound by the information requirements proposed herein.

Introduction:

1. Information submitted when entering into a contract with a client should include a reference to the Rules of WIRON Interest Rate Index, adopted by Resolution of the Management Board of GPW Benchmark No 85/2022 of 30 November 2022, as amended, and for the WIRON Compound Indices Family – to the Rules of WIRON Compound Indices Family, adopted by Resolution of the Management Board of GPW Benchmark No 86/2022 of 30 November 2022, as amended (hereinafter referred to as **'Rules'**). The above-mentioned information should also include a reference to the administrator's statement referred to in Title IV of the Benchmarks Regulation (Transparency and consumer protection, Article 27 of the Benchmarks Regulation). Additional information for clients should also be prepared on the basis of those materials.

2. The WIRON benchmark or benchmarks from the WIRON Compound Indices Family are published and made available on the basis of the Rules.

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

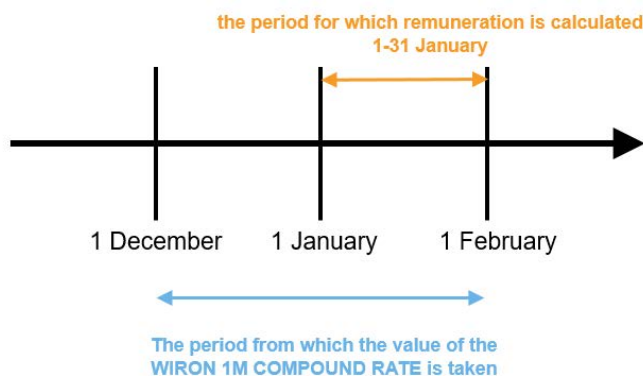
Recommendation

For lease contracts, leasing advance contracts and other financial products offered by leasing companies, where floating interest rate is applied, the recommended interest rate to be applied in the contract over the floating rate period is a rate based on the WIRON 1M Compound Rate.

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

The recommended date of the WIRON 1M Compound Rate from which the value of the WIRON 1M Compound Rate used to calculate remuneration for a given period is derived is a date falling between a Business Day of the month preceding the period for which the remuneration is calculated and the first Business Day following that period.

The above recommendation is shown in the diagram below. In this example, for the period for which remuneration is calculated and which falls on 1–31 January, one may adopt the value of the reference rate from index date 17 December, 2 January, 15 January, etc. The index date from which the value of the WIRON 1M Compound Rate is taken must not be earlier than 1 December or later than 1 February.



The rule for setting the WIRON 1M Compound Rate Date will be each time defined in the contract documentation.

Statement of reasons

Financial settlement between a leasing company and a Client under a financing agreement is done based on VAT invoices or other accounting documents (e.g. debit notes) issued by the leasing company, which distinguished the settlement process of leasing companies from similar payments in the banking sector.

The character of the leasing industry and the preferences of Clients that use financing have propagated the practice of issuing VAT invoices or other accounting documents for a given period in advance to allow Clients the comfort of being able to make timely payment. In other words, a VAT invoice or any other accounting document may be issued before or in the period for which remuneration is due. The document must be issued sufficiently in advance so that it reaches the Client and the Client has enough time to pay the liability. The process of issuing and delivering VAT invoices and other accounting documents takes time, and this is why leasing companies should be allowed the opportunity to use an index that can be known sufficiently in advance, before the relevant document is issued.

The calculation of remuneration using the WIRON 1M Compound Rate from the first Business Day following the period for which the remuneration is calculated is done where it is the intention of the parties to the contract to fully align the period for which the index and the remuneration are calculated. According to the Rules of WIRON Compound Indices Family, the WIRON Compound Rate Date is the next Business Day after the WIRON Benchmark Date, which is the last one used to determine the WIRON Compound Rate (source: gpwbenchmark.pl).

Please note that the rule for setting the WIRON 1M Compound Rate Date will be each time defined in the contract documentation.