



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

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

**Recommendation on the rules and methods of applying the POLSTR benchmark Index (or benchmark indices from the POLSTR Compound Indices Family) when entering into NEW CONTRACTS for factoring products in PLN (excluding discount products) for benchmark-based 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.

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 providing factoring services, product diversification and forms of financing, as well as the types of 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, reference should be made to the Rules of the POLSTR Interest Rate Index and, in the case of the POLSTR Compound Indices Family, to the Rules of the POLSTR Compound Indices Family (hereinafter referred to as **Rules** or, in relation to each of them, **Regulation**) published on the Administrator's website. Information should also refer to the Statement of the Administrator of the POLSTR Interest Rate Index as referred to in Article 27 of the BMR. Additional information for clients should also be prepared on the basis of these documents.
2. The publication and provision of the POLSTR benchmark index (or benchmark indices from the POLSTR Compound Indices Family) are carried out on the basis of the Rules.
3. This recommendation does not refer to the method of determining product margins or the various types of interest calculation formulas, which form a standard component of the final interest calculation and may be applied in contracts together with the POLSTR benchmark index (or benchmark indices from the POLSTR Compound Indices Family).

## **Factoring Products (excluding discount products)**

### **Recommendation No 1**

It is recommended that, for the purpose of setting the interest rate, the POLSTR benchmark index, as determined and published by the Administrator, be used. For each day within the interest period, the last value of the benchmark index published by the Administrator on that day should be applied. If the index is not published on a given day, the last available published value of the index should be used.

### **Recommendation No 2**

It is recommended that the interest rate be based on the POLSTR 1M Compound Rate benchmark index.

The adopted value of the POLSTR 1M Compound Rate benchmark index is the value made available by the Administrator in accordance with the Rules and updated by financial market entities in successive interest periods. The method for determining the date of the POLSTR 1M Compound Rate benchmark index to be used will be specified in the contractual documentation in each case.

### **Recommendation No 3**

Alternatively, it is recommended that the variable interest rate be based on a POLSTR benchmark index compounded by the financial market entity using the method involving a lookback observation period shifted up to 5 business days back (5 days lookback shift).

### **Justification of the recommended rules**

The principles described in Recommendation No 1 take into account the daily volatility of interest rates on financial markets and, as such, reflect current market information and allow for daily updates of financing costs.

The principles described in Recommendations No 2 and No 3 enable the Client to be informed of the amount of interest due before the payment date. This ensures the client has adequate advance notice of the amount due and time to secure the necessary funds.

The use of alternative Recommendations arises from the diversity of entities providing factoring services and the variety of their funding sources (overdraft loans, credit line loans, bonds). This allows for better alignment of interest rates between assets and liabilities, thereby enabling financial market entities to more fully manage basis risk by appropriately matching benchmark rates for assets and liabilities.