

## [Prospectus of the STRIPS Short-term Benchmark Rates]

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The KRX has three STRIPS issues that are provided abundant liquidity from around 15 market makers. Whenever one of this three issues is transacted, STRIPS short-term rate is updated real-time. The first STRIPS short-term rate of a day is available from the time when all the three issues have transaction record that day.

The STRIPS short-term rate is calculated directly from the secondary market. So, it is not dependant on the dealer's quotation and more objective than other short-term rates.

### [How to Calculate STRIPS Short-term Benchmark Rates]

Market Making Issues	Residual Maturity (Number of Days)	Secondary Market Yields
STRIPS that matures first	$N_1$	$R_1$
STRIPS that matures secondly	$N_2$	$R_2$
STRIPS that matures thirdly	$N_3$	$R_3$

\* The KRX designates three market making issues that are large enough in outstanding amount and mature soon enough(usually in 3 to 12 months).

#### ① STRIPS 3 Months Rates

1)  $N_1 > 10$

$$R_1 + (R_2 - R_1) \times (91 - N_1) \times \frac{1}{(N_2 - N_1)}$$

2)  $N_1 \leq 10$

$$R_2 + (R_3 - R_2) \times (91 - N_2) \times \frac{1}{(N_3 - N_2)}$$

#### ② STRIPS 6 Months Rates

1)  $N_1 > 10$  and  $N_2 \leq 182$

$$R_2 + (R_3 - R_2) \times (182 - N_2) \times \frac{1}{(N_3 - N_2)}$$

2)  $N_1 > 10$  and  $N_2 > 182$

$$R_1 + (R_2 - R_1) \times (182 - N_1) \times \frac{1}{(N_2 - N_1)}$$

3)  $N_1 \leq 10$

$$R_2 + (R_3 - R_2) \times (182 - N_2) \times \frac{1}{(N_3 - N_2)}$$

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