

The WM Company:- WM/Reuters FX Benchmarks

European Central Bank – Foreign Exchange Contact Group
29th January 2015

Limited Access



STATE STREET®

What are the WM/Reuters Spots, Forwards and NDFs?

WM/Reuters has been operating since 1994 and is an exchange rate service which provides Spot, Forward and NDF rates at fixed points throughout the global day. The rates are designed to provide clarity and transparency to pricing in the FX market, which has no central exchange.

The service currently offers 160 Spot rates, 81 Forward rates and 11 Non-Deliverable Forward rates:

- 160 Spot/Trade Rates – hourly (24 times a day, 5.5 days a week).
- 21 Trade Rates – at ½ past the hour (24 times a day, 5.5 days a week).
- 81 Forwards and 11 NDFs – nearly hourly (21 times a day, 5.5 days a week)

All rates are available to USD, GBP and EUR base currencies. The forwards/NDFs offer up to 11 time-periods (ON-5Y) and are in premium/discount and outright format.

The WM/Reuters rates are:

- **Independently set** using data from highly liquid source(s) for each currency.
- **Transparent Calculation** using a proprietary methodology which includes a unique validation mechanism and is available on our public website or directly from the WM Company.
- **Reliable** producing rates even in volatile market conditions.
- **Resilient** with dual processing throughout the systems.
- **Available** through a wide network of vendors and directly from the WM Company, users in over 50 countries.

WM operates within a framework of cohesive policies aimed at maintaining best practices and monitoring performance. We are committed to responding to all future requirements as the regulatory landscape changes.

A New Era: Regulation for FX Benchmarks

IOSCO

Principles for Financial Benchmarks

- On 25 July 2014, WM issued a compliance statement relating to the “IOSCO Principles for Financial Benchmarks”.
- New and revised WM policies were made publically available.
- Statement and policies are available on the WM Company website and directly from WM.

Financial Stability Board

Independent review and analysis of the FX market structure and incentives that may promote particular types of trading around the benchmark fixings.

- FSB – “Foreign Exchange Benchmarks Final Report” published 30 September 2014.
- 4 out of the 15 recommendations were specifically for WM/Reuters.
- WM has closed 1 of the recommendations and 3 are in progress.

UK Fair and Effective Markets Review (HMT, Bank of England and FCA)

A review of the fairness and effectiveness of the FICC markets

- On the 22nd December, 2014 HMT published the report: “Implementing the Fair and Effective Markets Review’s recommendations on financial benchmarks: response to the consultation”.
- Confirmed that during 2015, the WMR 4pm (UK time) Closing Spot rate service will be brought into the UK regulatory regime.

FCA – Financial Conduct Authority

Bringing additional benchmarks into the regulatory and supervisory regime

- FCA Consultation Paper published on the 22nd December 2014 – reviewing Chapter 8 of the Market Conduct Sourcebook (MAR). Responses required by the 30th January 2015.
- The FCA will regulate the WM/Reuters Closing Spot rate service from the 1st April 2015.

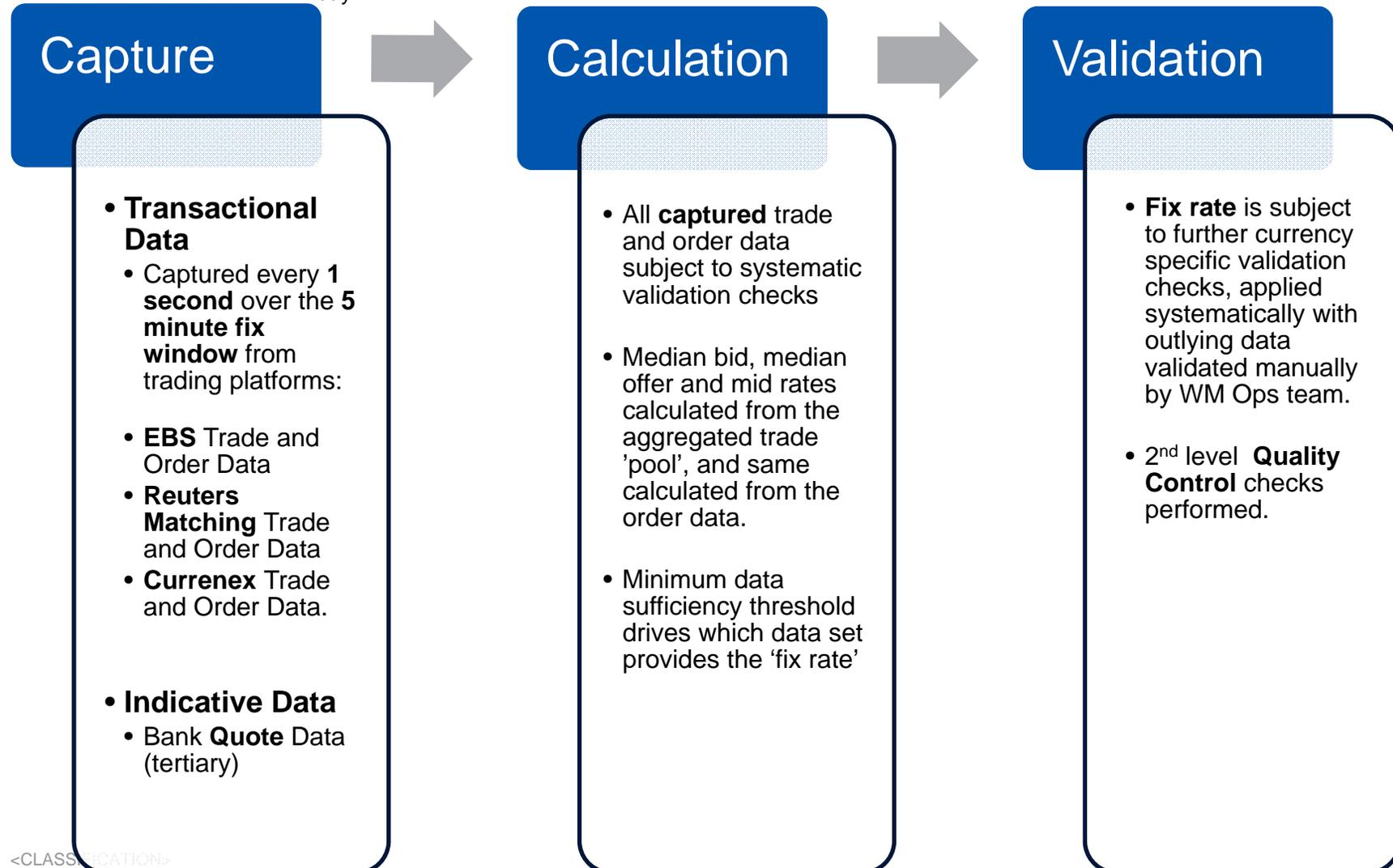
European Commission

To regulate the provision of financial benchmarks in the European Union.

- Legislation is being considered by the European Parliament and the Council of the European Union.
- This legislation will take precedence over the UK regulations.
- WM is committed to conforming and aligning with all required benchmark regulation.

WM/Reuters Spots Rates Methodology: Effective 15th February

Designed to source data directly from the market, applying multiple validation techniques on captured and calculated rates to result in accurate spot rates for each fix throughout the day.



WM/Reuters Spots Rates Enhanced Methodology: Summary of Changes

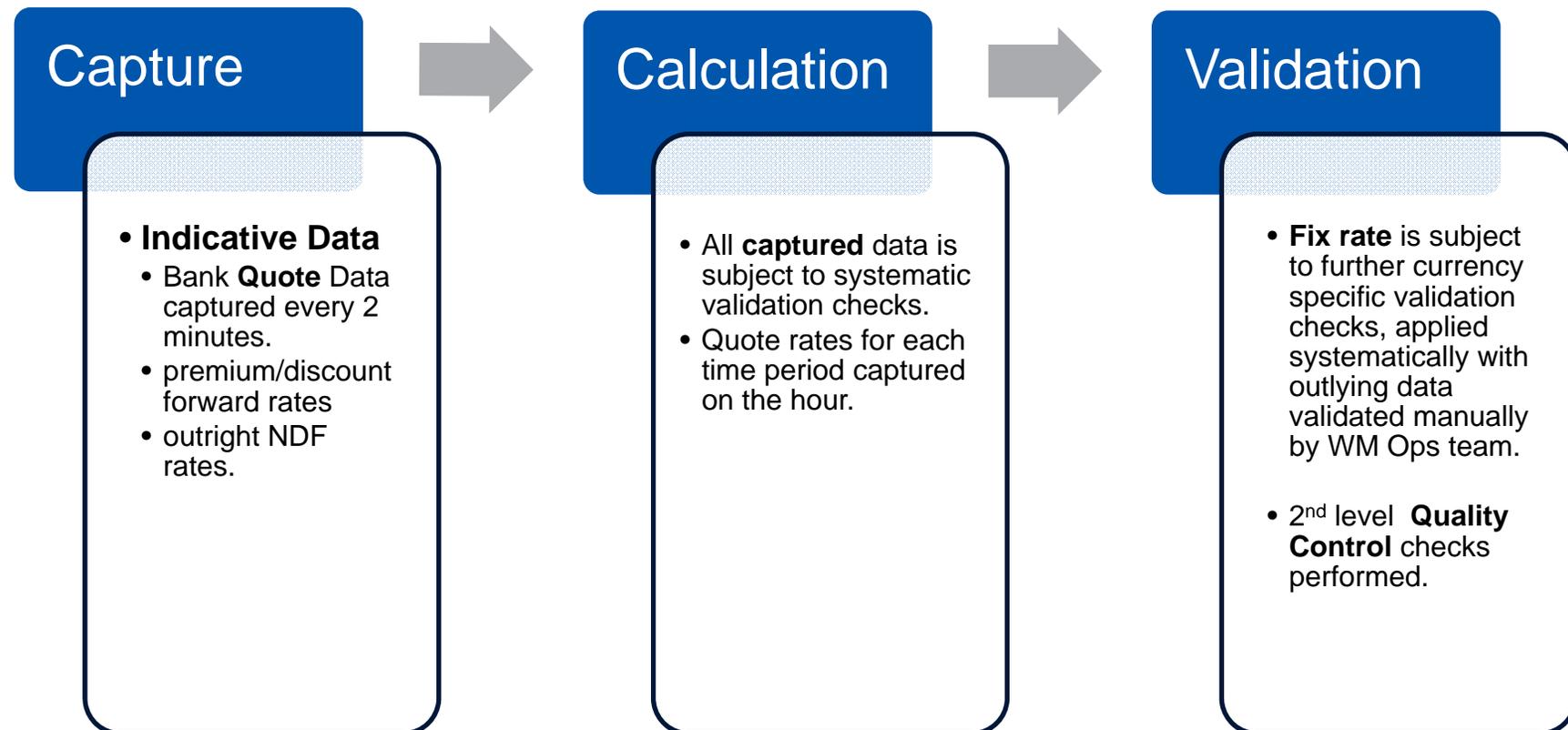
Current Methodology

- The calculation window is currently 1 minute for “Trade Currencies” and 2 minutes for “Non-Trade Currencies”.
- All trade currencies have a single, primary data source as follows:
 - Thomson Reuters Matching for: AUD, CAD, CZK, DKK, GBP, HKD, HUF, ILS, MXN, NOK, NZD, PLN, RON, SEK, SGD, TRY and ZAR.
 - EBS for: CHF, EUR, JPY and RUB
 - Currenex is used as a secondary source for validation and resilience for: CHF, EUR and JPY.
- There is no pooling of traded data from different sources.
- The minimum number of trades is measured against the single data sources.
- Valid Order rates from the primary data source are used if there are insufficient trades captured over the calculation period.

New Methodology

- The calculation window will be 5 minutes for both “Trade” and “Non-Trade Currencies”.
- Will use multiple sources for the trade currencies, this will be as follows:
 - Thomson Reuters, EBS and Currenex - CHF, EUR and JPY
 - Thomson Reuters and EBS – RUB
- “Pooled” data from all the specified data sources will be used in the calculation.
- The minimum number of trades is measured against the new “pool” of data from all data sources
- The source of Order rates will be determined by the number of valid Order rates captured during the calculation window.

WM/Reuters Forward Rates Methodology – No changes currently planned



Questions?

Disclaimer

WM/Reuters is the trading name and a registered trademark of State Street Corporation used for its financial markets business and that of its affiliates. This document is for marketing and/or informational purposes only, it does not take into account any investor's particular investment objectives, strategies or tax and legal status, nor does it purport to be comprehensive or intended to replace the exercise of a clients own careful independent review regarding any corresponding investment decision. This document and the information herein does not constitute investment, legal, or tax advice and is not a solicitation to buy or sell securities or intended to constitute any binding contractual arrangement or commitment by State Street to provide securities services. The information provided herein has been obtained from sources believed to be reliable at the time of publication, nonetheless, we cannot guarantee nor do we make any representation or warranty as to its accuracy and you should not place any reliance on said information. State Street Global Exchange hereby disclaims all liability, whether arising in contract, tort or otherwise, for any losses, liabilities, damages, expenses or costs arising, either direct or consequential, from or in connection with the use of this document and/or the information herein.

Clients should be aware of the risks of participating in trading foreign exchange, equities, fixed income or derivative instruments or in investments in non-liquid or emerging markets. Derivatives generally involve leverage and are therefore more volatile than their underlying cash investments. Clients should be aware that products and services outlined herein may put their capital at risk. Further, past performance is no guarantee of future results and, where applicable, returns may increase or decrease as a result of currency fluctuations.

This communication is not intended for retail clients, nor for distribution to, and may not be relied upon by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to applicable law or regulation. This publication or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of State Street Global Exchange.

- © 2014 State Street Corporation - All Rights Reserved