

# The WM Company:- WM/Reuters FX Benchmarks

European Central Bank – Foreign Exchange Contact Group  
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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 22<sup>nd</sup> 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 22<sup>nd</sup> December 2014 – reviewing Chapter 8 of the Market Conduct Sourcebook (MAR). Responses required by the 30<sup>th</sup> January 2015.
- The FCA will regulate the WM/Reuters Closing Spot rate service from the 1st April 2015.

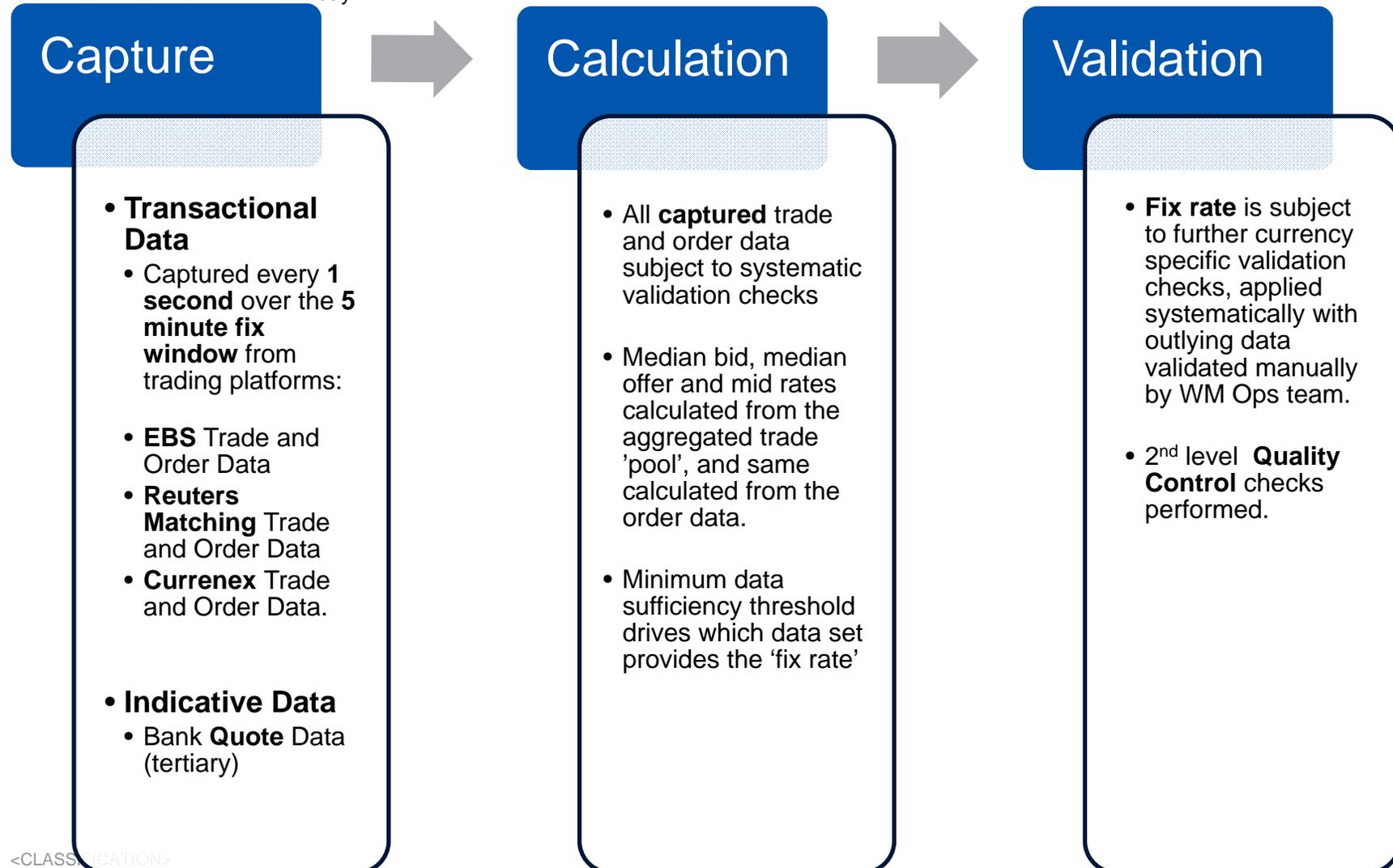
### European Commission

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 15<sup>th</sup> 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

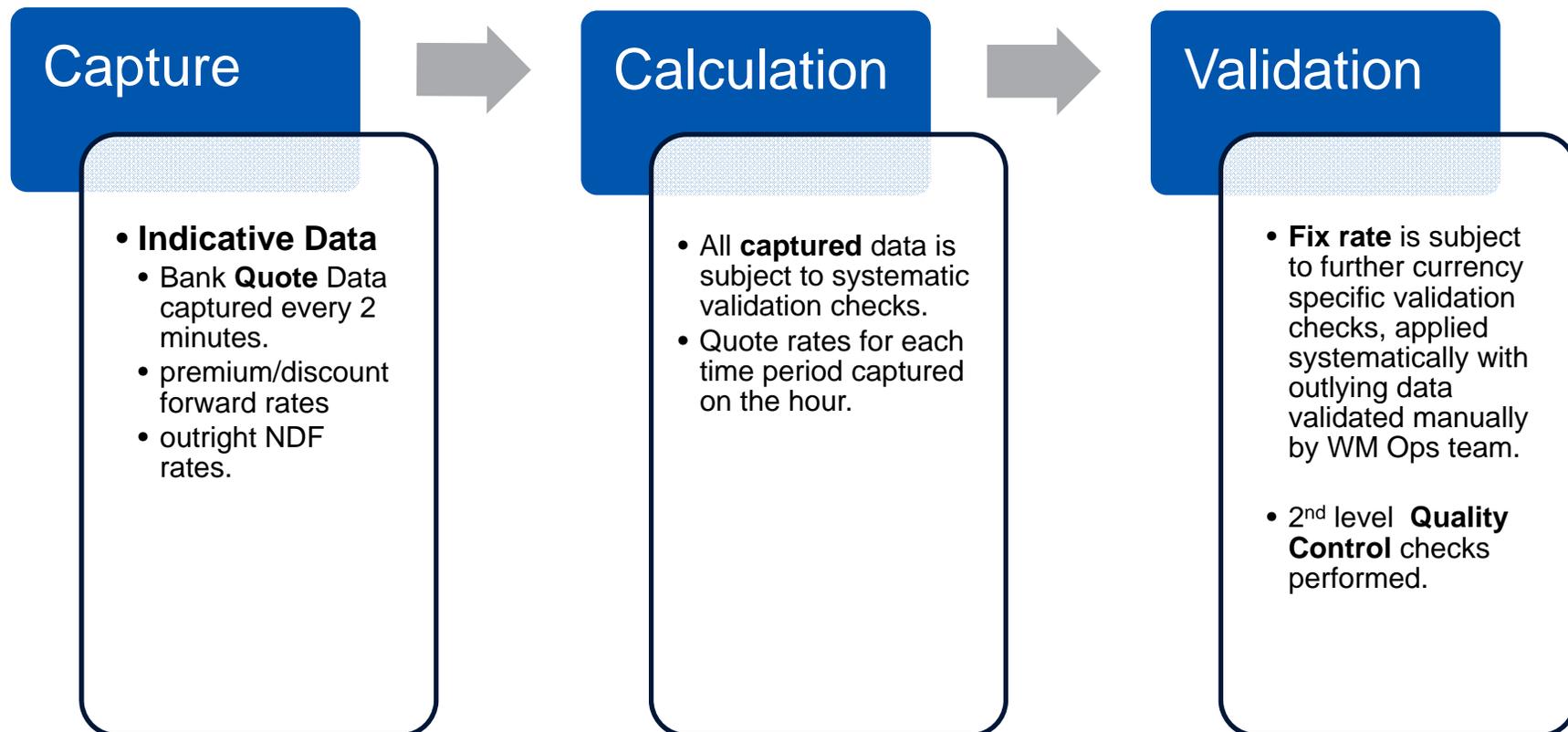
### Current Methodology

- 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?

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