



# WM/REFINITIV FX BENCHMARKS (WMR)

**FOCUS: WM/REFINITIV SPOT RATES (WMR)**

**UPDATE STATEMENT - WM/REFINITIV REQUEST FOR FEEDBACK**



**Date of Issue:** September 2022

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# 1. INTRODUCTION

The WM/Refinitiv Spot rates (WMR) are a range of independent FX benchmarks published throughout the global day, that users can trust and use with confidence, calculated using a clear and robust methodology to provide an accurate representation of the currency markets and protect the integrity of the rates. WMR is designed to provide benchmarks which are as at a “point in time” and are anchored in key principles of quality data inputs, data sufficiency and integrity, tailored methodology, broad currency coverage, accessibility, simplicity and equality with a direct client service and engagement.

WMR benchmarks originated for use in fund/portfolio valuations, mark-to-market, performance measurement, & index calculations. As the WMR benchmarks have evolved and been enhanced over time, they are now suitable for a diverse range of financial purposes – such as in conjunction with investable products, derivatives, financial contracts, reporting, auditing, analysis and research, FX trade execution. Any financial activity which requires an FX rate as at a particular time of day or a time-range can benefit from using WMR. WMR does not provide advice on when to use particular benchmark rates but does provide information to enable users to make an informed choice.

Refinitiv Benchmark Services (UK) Limited, RBSL, as the administrator of WMR, recognises that it is important to maintain a connection with users and key market stakeholders to receive feedback and respond to changing requirements and expectations. WMR has a long history of evolving to keep current with users’ requirements, market dynamics and regulatory expectations. Consequently, RBSL was keen to seek feedback on a range of key characteristics of the WMR methodology and user requirements to help inform the internal analysis and review which is currently in progress.

This statement summarises the feedback received following the RBSL “Request for Feedback” and outlines the next steps which will be taken.

## 2. RBSL REQUEST FOR FEEDBACK ON WMR

The RBSL [Request for Feedback](#) was published on April 8<sup>th</sup> 2022 and initial feedback assessed as at May 12<sup>th</sup> 2022. The survey, which took the form of an online survey, was widely distributed directly via email to all current users of WMR, the WMR User Group members, and published on the external WMR website.

The survey invited feedback on a range of different topics and the questions as set out below:

**Question 1:** Do you consider the 5minute calculation window to be “Too short”, “About right”, “Too long”, “Don’t know”

**Question 2a:** If “too short/long” - How long should the calculation window be (Minutes, Seconds)?

**Question 2b:** If “too short/long” - Why do you consider this would be a more appropriate period?

**Question 3:** If “about right” - Why do you consider a 5 minute window is the appropriate period for calculation?

**Question 4:** At month end should the calculation window be different to non-month end? Yes/No?

**Question 5:** If Yes - How long do you consider the month end window should be (Minutes, Seconds)?

**Question 5b:** Why do you consider this would be a more appropriate period for month end calculation?

**Question 6:** (If No to Q4) - Why do you believe that the month end calculation period should be the same as non-month end?

**Question 7:** How concerned would you be if the calculation window was longer than 5 minutes and led to a later publication time? “Very concerned”, “Slightly concerned”, “Not very concerned”, “Not at all concerned”, “Don’t know”

**Question 8:** (If very/ slightly concerned at Q7) - Please outline your concerns.

**Question 9:** How concerned are you on the potential market movements around WMR 4pm UK time? “Very concerned”, “Slightly concerned”, “Not very concerned”, “Not at all concerned”, “Don’t know”

**Question 10a:** (If very/ slightly concerned at Q9) - For which if any of the following reasons are you concerned about market movements?

- Demand may skew the FX execution price I receive
- The calculation window is insufficient in length and drives price movements
- Hedging requirements move the market
- Other - please specify

**Question 10b:** (If not very/ not at all concerned at Q9) - For which, if any, of the following reasons are you not concerned about market movements?

- It is important to use a consistent rate aligned with my investment mandates/strategies
- I understand/have quantified the impacts of market movements
- I am able to use different WMR (or other) benchmarks, at different times when required
- I perform my due diligence and make an informed choice on which benchmark to use and why
- I appreciate there is an execution risk that my bank(s) manage(s) on my behalf

- Market concentration provides sufficient liquidity to execute as required
- Other - please specify
- None of these

**Question 10c:** What changes if any would you like to see implemented by WMR to reduce the potential for market impact?

**Question 11:** Which additional data sources, if any, should be used?

**Question 12:** How interested are you in any of the following potential WMR benchmark ideas? (“Very interested”, “Quite interested”, “Not very interested”, “Not at all interested”, “Don’t know”)

- New Currencies
- Benchmarks covering different periods of time based on aggregations of the existing hourly benchmarks e.g., 2 hours, 8 hours
- Two benchmarks published at the same time, with different calculation window durations
- Continuous / streaming benchmarks
- Other - please specify

**Question 13:** (If very/ quite interested in new currencies at Q12) - Which new currencies would be relevant to include?

**Question 14a:** (If very/ quite interested in new time periods at Q12) - If WMR were to provide additional time periods based on existing hourly benchmarks what hourly aggregations would you be interested?

**Question 14b:** (If very/ quite interested in new time periods at Q12) - What local time of day would you want the new time period or periods to be based on?

**Question 15:** (If very/ quite interested in 2 benchmarks published at the same time with different calculation windows at Q12) - In what ways would have 2 benchmarks at the same time with different calculation windows be useful to you and how would you use them?

**Question 16:** (If not interested in 2 benchmarks published at the same time with different calculation windows at Q12) - For which of these reasons would you not be interested in two benchmarks with different calculation windows?

- Unnecessary
- Reduces consistency in the market for users
- Confusing
- Other - please specify

RBSL received feedback from respondents representing a variety of organisations and roles including Asset Management/Investment Advisory, Bank, Broker/Dealer, Data Analytics, Custodian, Exchange, Fund Administration, Hedge Fund and Investment Bank/M&A Advisory.

RBSL thanks all respondents for providing their feedback

### 3. RESPONSES TO THE REQUEST FOR FEEDBACK

The feedback received as of April 29<sup>th</sup> has been aggregated and summarised below to provide insight on the views of different users.

#### **Length of Calculation Window**

1. The majority of respondents indicated that the current length of 5-minute fixing window was “about right”, citing that a 5-minute window provided sufficient time for market awareness, calculation of a benchmark and execution - largely driven by the increased depth of liquidity and netting opportunities. This was coupled with a concern that a longer window could lead to greater tracking errors.
2. Approximately one third of respondents consider the fixing window is currently too short. There were concerns raised about the increased FX flow during the time of the window, particularly at key times such as month/quarter end together with the related concern that this results in higher risk and market movements. It was suggested that increasing the length of the window would enable more price discovery and opportunities for matching flow.
3. If the window was to be lengthened, areas shared for consideration were the timeliness and impact on user workstreams including deadlines, the potential for increased volatility, increased execution risk and increased tracking errors.
4. There was a clear consensus that the calculation window at non-month end and month end should be consistent. The principal reasons given were the importance of ensuring consistency across the methodology and limiting additional complexity, risk and confusion that different windows could bring. Nearly all of those that responded to the question, confirmed that the operational requirements and expectations from a benchmark are the same on all days.
5. In response to seeking views on the potential for market impact driven by the concentration of activity around 4pm, approximately half of respondents did not provide any further comment. For those who expressed concern, this focussed on the potential that demand may skew the FX execution price received and the potential impact of hedging moving the market. Those who did not express concern advised that the market concentration and increased liquidity enables their execution; it allows a consistent rate to be used with their investment mandates, they perform their due diligence and make an informed choice. Various suggestions were received to reduce potential market impact such as, focussing on data depth and sufficiency as considerations for the size of the calculation window, including additional data sources, use of netting/trading applications and access to more data/market insight.

**Additional Data Sources**

1. Feedback was largely supportive of introducing additional data sources with a range of suggestions provided for consideration, with the understanding that these would need analysis by RBSL for appropriateness and added value. Further, a request to consider data options for more restricted markets was also received.

**New Benchmark Requirements**

1. New Currencies – there is reasonable interest in the potential to add new currency benchmarks to the WMR service, with some specific currency requests received.
2. The creation of new benchmarks based on the aggregation of current WMR rates received only limited interest.
3. The creation of additional benchmarks, published at the same time as current benchmarks with a wider calculation window (in essence 2 benchmarks at 4pm UK time) was of little interest and largely considered unnecessary with concerns raised regarding the confusion and lack of consistency which would be introduced.
4. The provision of continuous/streaming benchmarks was not widely supported.

## 4. SUMMARY & NEXT STEPS

As WMR has evolved over the years, it has always been with users at the centre of these changes to help make sure that any change is the right change and will produce positive and expected outcomes for all our users.

The feedback has provided insight into users' views and requirements and raised several practical considerations when regarding potential enhancements of the WMR methodology.

**Next steps** - responses provided in this "Request for Feedback" help inform us of what is important and will be used as an input to the broader review and analysis which is currently in progress to identify and define further development areas for WMR. More information will follow in due course.

For awareness – we continue to receive feedback which will be included in our review and if you have not yet had the opportunity to share your views, it is still possible to contribute your feedback through our online portal and we would welcome your participation:

<https://www.refinitiv.com/en/financial-data/financial-benchmarks/wm-refinitiv-fx-benchmarks#announcement>