BENCHMARK

Refinitiv through its wholly owned subsidiary, Refinitiv Benchmark Services Limited ("RBSL"), provides the WM/Refinitiv FX Benchmarks: a global foreign exchange rate benchmark service offering spot, forward and non-deliverable forward foreign exchange benchmark rates (each a “benchmark rate” and together the “benchmark rates”) at fixed points throughout the global trading day. Refinitiv strives to maintain an open and ongoing dialogue with its subscribers about the potential conflicts of interest associated with the offering of the WM/Refinitiv FX Benchmarks.

This document is intended to generally describe the WM/R FX Benchmarks and any actual or potential conflicts of interest that we have identified that may arise in connection with the offering of the benchmark rates. Our client service representatives are available to answer or arrange an answer to any questions you may have regarding the benchmark rates.

You also have access to additional information about the WM/R FX Benchmarks at refinitiv.com/wmr.

While Refinitiv has attempted to identify in this document the material conflicts of interest that may arise in connection with the offering of the WM/R FX Benchmarks, Refinitiv may have failed to identify all such actual or potential conflicts of interest, and other conflicts of interests may arise in the future.

Your use of the benchmark rate service offered by Refinitiv will be deemed to constitute your consent for Refinitiv to provide such a benchmark rate service to you even though the actual or potential conflicts of interest identified herein in relation to such services may exist.

What are the services offered by Refinitiv?

Refinitiv provides a global foreign exchange rate benchmark service, offering spot, forward and non-deliverable forward benchmark rates for specific currency pairs at fixed points throughout the global trading day. The most actively traded (i.e., most liquid) spot currency pairs for which Refinitiv establishes a benchmark rate are referred to as the “trade currencies”, because these benchmark rates are primarily established using actual trade execution and order data from identified third-party global foreign exchange trading platforms.

The remaining spot currency pairs, as well as all deliverable and non-deliverable forward currency pairs, are called “non-trade” or “quote” currencies, meaning that Refinitiv establishes these benchmark rates primarily using the indicative bid and offer rates from identified third-party global foreign exchange platforms.

The global platforms from which Refinitiv obtains trade execution, order and indicative bid and offer rate data are collectively referred to herein as the “data providers”. As of the date of this disclosure statement, the data providers for the trade and quote currencies are Refinitiv Transaction Services Limited (“RTSL”), EBS Dealing Resources Limited (“EBS”) and, in certain limited circumstances, Currenex, Inc. Refinitiv has the discretion, at any time and without notice, to change the entity or entities that are acting as data providers for any particular currency pair. Refinitiv may also change the number of such entities that are used to source trade execution, order or indicative bid and offer rate data to calculate the benchmark rate for any particular currency pair. Refinitiv provides a more detailed description of the benchmark rates and the methodology used to calculate these benchmark rates at refinitiv.com/wmr.

As of the date of this disclosure statement, the data providers for the trade and quote currencies are Refinitiv Transaction Services Limited (“RTSL”), EBS Dealing Resources Limited (“EBS”) and, in certain limited circumstances, Currenex, Inc. Refinitiv has the discretion, at any time and without notice, to change the entity or entities that are acting as data providers for any particular currency pair. Refinitiv may also change the number of such entities that are used to source trade execution, order or indicative bid and offer rate data to calculate the benchmark rate for any particular currency pair. Refinitiv provides a more detailed description of the benchmark rates and the methodology used to calculate these benchmark rates at refinitiv.com/wmr.
Are the foreign exchange rates published by Refinitiv fit for purpose?

The foreign exchange benchmark rates calculated and published by Refinitiv are designed to generally reflect the foreign exchange market at the time of each benchmark fix, and are not intended as a composite picture of all foreign exchange transaction activity at that or any other time. The foreign exchange benchmark rates calculated and published by Refinitiv are used by subscribers for a range of purposes including, but not limited to: equity and bond index calculations, financial reporting (i.e., conversion of global currency holdings into a base rate), foreign exchange trade execution benchmark pricing, creation and settlement of financial instruments, portfolio valuations and performance measurements, and as the conversion rate in certain financial products. Each subscriber should independently determine whether the use of a benchmark rate and, in particular, a benchmark rate calculated pursuant to the methodology employed by Refinitiv, is appropriate for the intended objective of that subscriber.

The methodology used by Refinitiv may produce results consistent with one subscriber’s objective, but not another’s. For example, Refinitiv does not take transaction size into account when calculating its foreign exchange benchmark rates. Accordingly, subscribers who use the foreign exchange benchmark rates primarily for valuing financial instruments may be impacted differently by this methodology decision, compared with subscribers who use the foreign exchange benchmark rates in circumstances where the size of the foreign exchange transaction is relevant – for example, establishing the price at which foreign exchange transactions are to be executed with their clients. There may be foreign exchange benchmark rates that are designed for more specific purposes, and therefore have characteristics that are better tailored to your specific objectives.

Recently, there has been increased scrutiny regarding foreign exchange benchmark rates and market practices, relating to their use in the foreign exchange market. This has resulted in – and may continue to result in – increased regulatory guidance that may impact the methodology (e.g., the number and quality of the data providers or benchmark fixing window, as defined below) by which the benchmark rates are calculated by Refinitiv. In response to such regulatory guidance, we may be required or otherwise voluntarily elect to alter the methodology by which the benchmark rates are calculated, in a way that may not be beneficial for all subscribers.

Refinitiv does not provide any advice to subscribers as to the appropriateness of its foreign exchange benchmark rates for a particular purpose or claim that its methodology is the best, or even an appropriate, methodology for any particular purpose for which a benchmark rate might be used. Refinitiv also may, on its own initiative or in response to future regulatory requirements, introduce new foreign exchange benchmark rates or discontinue all or a portion of its benchmark rate service, or alter the methodology by which its foreign exchange benchmark rates are calculated and validated. Refinitiv may also increase, decrease or change the number of data providers from which trade execution, order and indicative bid and offer rates are sourced, any or all of which may present unique risks to a subscriber depending on that subscriber’s intended use of the foreign exchange benchmark rates.

Refinitiv may discontinue its benchmark rate service, in whole or in part, and alter the methodology by which its foreign exchange benchmark rates are calculated and validated. This includes by increasing, decreasing or changing the number of data providers. In addition, there are operational risks associated with calculating and publishing any foreign exchange benchmark rate. Therefore, subscribers are solely responsible for assessing and understanding the potential impact of those considerations and risks on their own operations or valuations, and the potential need for alternative foreign exchange benchmark rates during periods when the foreign exchange benchmark rates published by Refinitiv are not available, or when a change in the methodology by which they are calculated renders them unsuitable for the intended objective of that subscriber. For example, if a subscriber is using our foreign exchange benchmark rates to value a financial instrument, present comparability of data at different times, or evaluate trends over a period of time, any change in the methodology, quality or number of data providers may produce benchmark rates that would differ from the benchmark rates determined using the prior methodology or data providers. This could materially impact the valuation of any financial instrument or comparison or trend analysis.

Refinitiv is not responsible for considering the interests of subscribers individually, or as a group, in determining whether to make any such change. Refinitiv shall not be liable for any disruption to or financial impact on a subscriber’s business due to any delay in or cessation of publishing, unavailability of any of its foreign exchange benchmark rates, changes to the methodology by which those foreign exchange benchmark rates are calculated and validated, or unsuitability of the foreign exchange benchmark rates for the intended objective of that subscriber. There are subscribers who may have a financial or other interest in understanding the methodology by which the foreign exchange benchmark rates are calculated and validated by Refinitiv. Therefore, they may attempt to influence or propose changes to that methodology to their advantage (e.g., by advocating for a longer or shorter period over which we source actual trade execution and order data, or by advocating for more or fewer sources of data used to calculate the benchmark rates).

The interests of these subscribers may not align with, and may be adverse to, the interests of other subscribers. If successful, such efforts may result in benchmark rates that are unsuitable for the intended objective of a particular subscriber.
What are the conflicts of interest that may arise between Refinitiv or any of its subscribers and data providers?

Refinitiv currently sources transaction and other data used in the calculation of its benchmark rates from three data providers: RTSL, EBS and Currenex.

Refinitiv has several validation processes that it believes are designed to identify and appropriately address off-market rates while calculating a benchmark rate. However, Refinitiv has established the current methodology for calculating and validating foreign exchange benchmark rates based upon its own judgment as to the measures and thresholds that are appropriate. This has been done without regulatory direction, i.e., a set of rules for monitoring or surveying the trading activity that takes place on any of its data providers’ platforms for manipulative or disruptive behavior. The information that Refinitiv obtains from its data providers is not sufficient to determine whether any third party participating on the data providers’ platforms is engaging in manipulative or disruptive behavior, or otherwise engaging in conduct that could adversely impact market participants in the foreign exchange market. Refinitiv relies primarily on its data providers to monitor manipulative and disruptive behavior on their platforms that may impact the quality of the transaction and other data provided to Refinitiv for use in the calculation of the benchmark rates and to otherwise comply with relevant regulations and best practices in these areas, although any such monitoring by these data providers will likely be focused on the specific trading platform services offered by the relevant data provider and not the integrity of the foreign exchange benchmark rates published by Refinitiv.

In light of the financial benefit obtained by these data providers for providing the transaction and other data used by Refinitiv in calculating the benchmark rates, as well as any potential additional revenue arising from increased trading activity on their platforms due to their status as data providers to Refinitiv, these platform operators might not communicate to Refinitiv concerns relating to the operation of their platform, including concerns relating to manipulative or other disruptive behavior by their subscribers. Refinitiv relies on these platform operators’ technology to source the relevant transaction and other data that is used to calculate the benchmark rates. If there is an issue with the completeness or quality of the data sourced, the integrity and reliability of the benchmark rates calculated by Refinitiv may be impacted. Moreover, if there is a problem with the platform technology, Refinitiv could experience a delay in receiving the relevant data from the platform or degradation in the quality of the data being received.

What are the conflicts of interest that may arise between RBSL, RTSL and other relevant Refinitiv entities?

Refinitiv Benchmark Services Limited (“RBSL”) is the Financial Conduct Authority-regulated entity that administers the benchmark rates and has primary responsibility for all aspects of the benchmark determination process, including the development, calculation and distribution of the benchmark rates. RBSL sources transaction and other data from RTSL, another Refinitiv Group subsidiary. This means that RTSL, along with EBS and Currenex, provides data inputs that help to determine the WM/Refinitiv FX benchmark rates. In addition, RBSL relies on Refinitiv Limited to distribute the benchmark rates to subscribers, via the Refinitiv® Eikon, who have entered into direct licensing arrangements.

Refinitiv has reviewed its governance structure and has identified that the greatest potential conflict of interest lies in the relationship between RBSL and RTSL. Refinitiv believes that it has implemented adequate governance arrangements in order to avoid or mitigate this potential conflict of interest to the greatest extent possible. Such arrangements include, but are not limited to, the following:

- RBSL and RTSL are completely segregated, wholly owned subsidiaries of Refinitiv. Both entities are governed by their very own exclusive board of directors, with no individuals serving on both boards.
- Refinitiv’s WM/R FX Benchmarks and transaction businesses are completely separate. They are based in different locations. The WM/R operations team is in a secure, controlled access area, segregated from any transactions business employees and other non-essential personnel. This strengthens the isolation and control of unapproved access. The personnel of the business units are organized into clear, distinct reporting lines, with each business adopting processes and practices to mitigate the potential for inappropriate influence of the benchmark determinations.

Are there other risks that may arise in connection with the use of the benchmark rates?

Market and liquidity risks

Each benchmark rate fluctuates over time in accordance with the underlying trade execution, order or indicative bid and offer data used by Refinitiv as input data for the calculation of the benchmark rate for a particular currency pair. The value of a financial instrument or contract that references a particular benchmark rate may be affected accordingly. During any given benchmark fix period, an illiquid market could materially reduce the volume or quality of data sourced by Refinitiv for use in the calculation of the benchmark rates. For example, where there is insufficient liquidity on the trading venue from which Refinitiv receives input data for the trade currencies, the benchmark rates calculated on the basis of such input data may not be representative of equivalent exchange rates on other trading venues, in other markets or at any other time of the day.
In addition, the spot benchmark rates for the quote currencies are calculated based on indicative bid and offer rates, as opposed to observable transaction execution data or binding or “committed” orders on a trading platform. Generally, these quote currencies are considered currencies for which there is a less active market. Ultimately, these indicative bid and offer rates are based on the judgment of the institutions submitting that information to the relevant data provider. They may not be reflective of rates at which market participants are able to enter into an arm’s length foreign exchange transaction. In some instances, the number of institutions contributing indicative bid and offer rates with respect to a particular quote currency pair may be as little as one.

**Legal and regulatory risks**

There is a risk that certain entities may be restricted, or in future become restricted, in their ability to use the benchmark rates due to legal or regulatory restrictions applying in their jurisdiction.

**Operational risks**

Notwithstanding any operational safeguards implemented by Refinitiv, there is a risk that a given benchmark rate cannot be calculated in accordance with the required methodology, or that Refinitiv becomes temporarily unable to calculate and publish a benchmark rate as a result of events outside their reasonable control.

If you would like to learn more about the WM/Refinitiv rates service, please visit our website or contact us by telephone or email. A service representative will be available 24 hours a day from Monday 6:00 a.m. Hong Kong Time until Friday 10:00 p.m. UK time.

Client relations:
UK toll-free: 0800 023 4130
International: + 44 (0) 131 376 0007
Email: wmr.sales@refinitiv.com

Operations:
UK toll-free: 0800 028 2551
International: + 44 (0) 131 376 0004
Email: wmr.reuters.ops@refinitiv.com

Refinitiv is one of the world’s largest providers of financial markets data and infrastructure, serving over 40,000 institutions in approximately 190 countries. It provides leading data and insights, trading platforms, and open data and technology platforms that connect a thriving global financial markets community – driving performance in trading, investment, wealth management, regulatory compliance, market data management, enterprise risk and fighting financial crime.

Visit refinitiv.com

@Refinitiv Refinitiv