



THOMSON REUTERS

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In 2006, the Bank of England retired their long time publication of daily benchmark FX rates. The Joint Standing Committee of the Bank of England requested EBS and Thomson Reuters to jointly create 'Replacement rates' to assist in daily benchmarking. EBS agreed to provide the EBS Smoothed Rate to Thomson Reuters for inclusion in a neutrally branded benchmark price. The Thomson Reuters/EBS Spot Fixing market data display currently provides FX price fixings for 11 currency pairs. The algorithms and subsequent rates have been endorsed by the Bank of England Foreign Exchange Join Standing Committee.

These fixings are now used widely in the FX markets, primarily as reference rate in International Swaps and Derivatives Association (ISDA) agreements for the swaps market. The fixings are also used by spot FX dealers for customer compliance and transactions.

EBS and Thomson Reuters produce two very similar, yet distinct calculations for the benchmarks. Each has their own calculation based on time decay, momentum and volume weighting on all deals done as well as the current dealable rate in the market. The fixing rates, at this time, are intended to cover the currencies where there is sufficient liquidity in the currency market to provide accurate fixings.

EBS methodology

The EBS Smoothed Rate, the base for fixings is an accelerated degradation of weighting that is applied to all deals done within a one second time slice: deals done close to the end of the one second time slice are given a higher weighting than deals done at the beginning of the one second time slice.

Snap shots of the EBS order book are taken at the end of one second intervals; The EBS Smoothed Rate algorithm also applies an accelerated degradation of weighting for each level of the order book away from the EBS best price for each one second time slice.

The EBS fixing rate is an average of the past 30 second sample of EBS Smoothed Rates directly prior to the fix.

For more information, please refer to The EBS Smoothed Rates Synopsis.

Thomson Reuters Methodology

The Thomson Reuters D2 fixing algorithm is a series of 4 calculations that are averaged out to create an absolute fixing rate. The algorithm weights each price and dealt rate against spread width, time decay, traded volume and price momentum. The ensuing data offers a smoothed representation of the market and ensures there is no order front-running, that would normally be expressed as spikes around fixing times by market participants that have a time-order book process or products linked to a specific fixing.

The Thomson Reuters fixing algorithm takes a 30 second sample of the Thomson Reuters Spot Matching Feed directly prior to the fix. The fix rate is then computed using the midpoint between the bid and offer and each part of the calculation is based off this individual midpoint. Each sample computes its own fixing rate then the final (published) fix rate is a weighted average of all the units in the sample.

The current polling interval for both Thomson Reuters and EBS is 30 seconds prior to the fix. Both are planned to expand to 60 seconds in the coming future.

Currencies and Publication Times

USD/CAD - (Thomson Reuters)

GBP/USD - (Thomson Reuters)

AUD/USD - (Thomson Reuters)

EUR/USD - (EBS)

USD/CHF - (EBS)

USD/JPY - (EBS)

EUR/CHF - (EBS)

EUR/JPY - (EBS)

The Thomson Reuters EBS spot fixing is published daily every hour and half hour. The rates are available all trading days including national holidays except for New Years. The target completion of calculation and publication of service is within one minute after the fix time. Further quality checks are then applied to ensure accurate fix rates are published and the system is monitored 24x7.

Thomson Reuters has added a section to their "Customer Zone" website to cover the fixing at <http://customers.thomsonreuters.com>. The fixings may also be viewed on page <FXFIX/HELP1> on the Thomson Reuters product. For access to the "Customer Zone", please register on the website.

www.icap.com/ebs

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