

WM/Refinitiv Spot Rates (WMR) – Request for Feedback CFEC Presentation



LSEG

Request for Feedback on WMR Spots

Introduction

On the 8th April , the Request for Feedback was published along with two documents aimed at providing a comprehensive overview of WM/Refinitiv Spot rates and insight into market dynamics around WMR:

WM/Refinitiv overview and request for feedback:

https://www.refinitiv.com/content/dam/marketing/en_us/documents/fact-sheets/wm-refinitiv-overview-and-request-for-feedback.pdf

WM/Refinitiv Spot Rates market analysis:

https://www.refinitiv.com/content/dam/marketing/en_us/documents/fact-sheets/wm-refinitiv-spot-rates-market-analysis.pdf

The objective of the request for feedback was to encourage all users to provide their views/opinions and comments on key areas regarding the WMR methodology, WMR products and service as we continually focus on evolving to meet users' requirements and respond to market changes and expectations.

The initial responses have been reviewed and summarized in the document published on the WMR website:

https://www.refinitiv.com/content/dam/marketing/en_us/documents/fact-sheets/wmr-request-for-feedback-statement-september-2022.pdf

The survey remains open and further participation is encouraged and all feedback welcome.

Summary from the survey – Calculation Window

A series of questions focused on asking if the WMR Spot rates calculation window be extended

Overall, there was no significant consensus. Results were similar to feedback from the User Groups

Window is “About Right”

- The majority, confirmed they considered the current window of 5 mins to be “about right”. Supporting comments include:
 - Sufficient time for market awareness, calculation of a benchmark and execution
 - Concern a longer window could lead to greater tracking errors
 - Depth of liquidity enables execution and netting
- Some concerns which were raised with regards to a longer window included:
 - Timeliness and impact on user workstreams and deadlines
 - Potential for increased volatility
 - Increased execution risk

Window is “Too Short”

- Approximately a third consider the window is currently too short. From those responders, there was limited feedback on their preferred length of calculation window
- Comments on why the window is too short:
 - Significant flow, particularly at month/quarter end, driving risk and market movements
 - Enable more price discovery and opportunities for matching flow

Summary from the survey – Month End

A series of questions focused on asking if the calculation window be different from non month end?

- There was a consensus of views from respondents that the calculation window at non-month end and month end should be the same.
- The primary reasons provided for maintaining the non-month end and month end calculations window to be the same were:
 - The majority focussed on the importance of ensuring consistency across the methodology
 - It is considered necessary to limit additional complexity, risk and confusion that different windows would bring
 - The operational requirements and expectations from a benchmark are the same on all days

Summary from the survey – Market Impact

A series of questions focused on seeking views regarding the potential for market impact

Approximately a third of respondents indicated that they were concerned on the potential for market impact driven by the focus on WMR:

- The two primary reasons selected for such concern were:
 - demand may skew the FX execution price received
 - potential impact of hedging moving the market

Around a fifth advised they were not concerned due to:

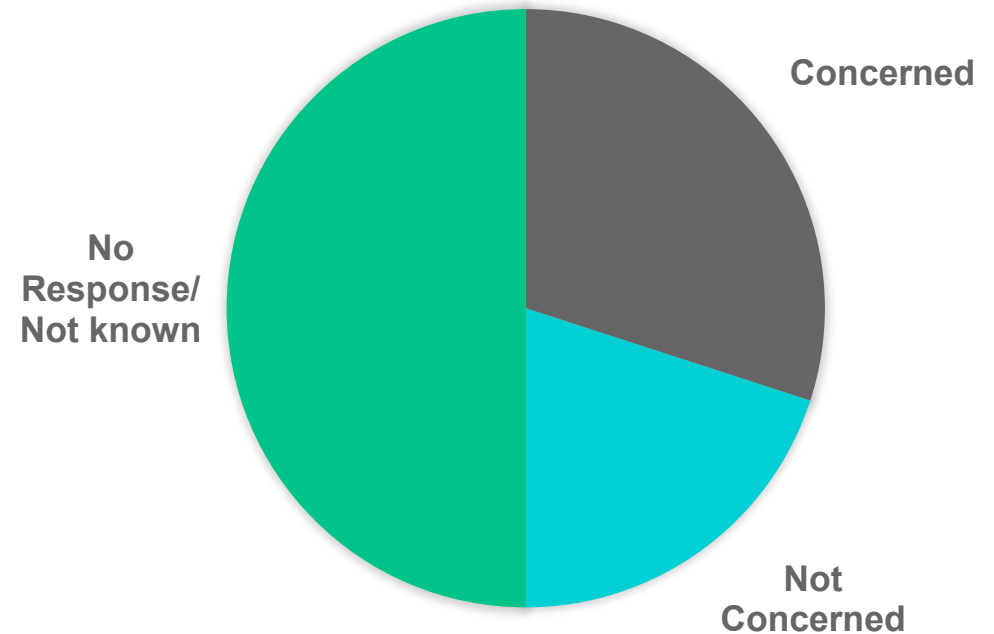
- market concentration and liquidity, enabling execution;
- allowing a consistent rate to be used with investment mandates
- due diligence is performed in order to make an informed choice.

Half of respondents did not know or did not respond.

The survey also enquired on suggestions to potentially reduce market impact and those received included:

- Including additional data sources; a focus on data depth and sufficiency; use of netting/trading applications; access to more data/market insight.

RESPONDENTS



Summary from the survey – Data Sources and New Benchmarks

The survey asked if additional data sources should be used in the WMR calculation

- There was significant interest in response to the question on adding new data sources into the calculation. A few different providers were suggested but it was also made clear that these would need to be reviewed and analysed to ensure they were an appropriate fit for the WMR benchmark rates.
- There was also a suggestion to consider what options there maybe available to focused on more restricted markets

A series of questions sought feedback on user interest/requirement for additional and/or new WMR benchmarks?

- New Currencies – there was reasonable interest in the inclusion of additional currencies and some respondents provided specific currencies they would like to have in the service.
- The creation of new benchmarks based on the aggregation of current WMR rates, received limited interest.
- 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. The main concerns raised on having such benchmarks centred around the confusion and lack of consistency which would be introduced and considered not required.
- The concept of providing continuous/streaming benchmarks was also not widely supported.

WM/Refinitiv Spot Rates – Next Steps

The Request for Feedback is one aspect of a broader review of these key areas of the WMR, with additional information gathered through direct user engagement, market engagement, extensive data analysis, discussions with SMEs, third party analysis and reports.

The next step is to review, aggregate and summarise this collection of information to determine further areas for development of WMR. Any such proposals will progress through the governance process and be result in a client consultation.

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