

FTSE Russell WMR Description of Services and Conflicts of Interest Disclosure Statement



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Section 1

Introduction

1. Introduction

1.1 Description of Services and Conflicts of Interest Statement

- 1.1.1 FTSE International Limited (FIL) is the benchmark administrator for benchmarks and indices that are operated under the FTSE Russell brand.
- 1.1.2 FTSE Russell provides the WMR Benchmarks; a global benchmark service, offering spot, forward, non-deliverable forward and precious metal benchmarks (each a “Benchmark Rate” and together the “Benchmark Rates”) at fixed points throughout the global trading day.
- 1.1.3 FTSE Russell strives to maintain an open and ongoing dialogue with its subscribers about the potential conflicts of interest associated with the offering of the WMR Benchmarks.
- 1.1.4 This document is intended to generally describe the WMR 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.
- 1.1.5 Further general information on how FTSE Russell manages Conflicts of Interest across its benchmark families is available in FTSE Russell's Benchmark Administration, Governance & Conflicts of Interest Management Policy. You may also access additional information about the WMR Benchmarks at [WMR FX Benchmarks | LSEG](#).
- 1.1.6 While FTSE Russell has attempted to identify in this document the material conflicts of interest that may arise in connection with the offering of the WMR Benchmarks, FTSE Russell may have failed to identify all such actual or potential conflicts of interest, and other conflicts of interests which may arise in the future.
- 1.1.7 Your use of the benchmark rate service offered by FTSE Russell will be deemed to constitute your consent for FTSE Russell 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.

Section 2

Description of Services

2. WMR services offered by FTSE Russell

2.1 Foreign Exchange and Precious Metal Benchmarks

- 2.1.1 FTSE Russell provides a global benchmark service, offering spot, forward, non-deliverable forward and precious metal benchmark rates for specific currency/metal pairs at fixed points throughout the global trading day.
 - 2.1.2 The most actively traded (i.e., most liquid) spot currency and spot metal pairs for which FTSE Russell 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.
 - 2.1.3 The remaining spot currency and spot metal pairs, as well as all deliverable and non-deliverable forward currency pairs are called “non-trade” or “quote” currencies, meaning that FTSE Russell establishes these benchmark rates primarily using the indicative bid and offer rates from identified third-party global foreign exchange platforms.
 - 2.1.4 The global platforms from which FTSE Russell 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 LSEG Data & Analytics, LSEG FX Matching, EBS (CME Group) and, in certain limited circumstances, Currenex, Inc. FTSE Russell 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. FTSE Russell 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. FTSE Russell provides a more detailed description of the benchmark rates and the methodology used to calculate these benchmark rates at [WMR FX Benchmarks | LSEG](#).
- ### 2.2 Are the WMR benchmark rates published by FTSE Russell fit for purpose?
- 2.2.1 The WMR benchmark rates calculated and published by FTSE Russell are designed to generally reflect the foreign exchange and metal markets at the time of each benchmark fix, and are not intended as a composite picture of all foreign exchange/metal transaction activity at that or any other time. The WMR benchmark rates calculated and published by FTSE Russell 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), 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 FTSE Russell, is appropriate for the intended objective of that subscriber.

- 2.2.2 The methodology used by FTSE Russell may produce results consistent with one subscriber's objective, but not another's. For example, FTSE Russell does not take transaction size into account when calculating its foreign exchange/metal benchmark rates. Accordingly, subscribers who use the foreign exchange/metal benchmark rates primarily for valuing financial instruments may be impacted differently by this methodology decision, compared with subscribers who use the foreign exchange/metal benchmark rates in circumstances where the size of the 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.
- 2.2.3 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 FTSE Russell. 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.
- 2.2.4 FTSE Russell does not provide any advice to subscribers as to the appropriateness of its foreign exchange/metal 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. FTSE Russell also may, on its own initiative or in response to future regulatory requirements, introduce new benchmark rates or discontinue all or a portion of its benchmark rate service, or alter the methodology by which its benchmark rates are calculated and validated. FTSE Russell 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 benchmark rates.
- 2.2.5 FTSE Russell may discontinue its benchmark rate service, in whole or in part, and alter the methodology by which its benchmark rates are calculated and validated.
- 2.2.6 In addition, there are operational risks associated with calculating and publishing any foreign exchange/metal 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/metal benchmark rates during periods when the foreign exchange benchmark/metal rates published by FTSE Russell 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.
- 2.2.7 FTSE Russell is not responsible for considering the interests of subscribers individually, or as a group, in determining whether to make any such change. FTSE Russell 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/metal benchmark rates, changes to the methodology by which those foreign exchange/metal benchmark rates are calculated and validated, or unsuitability of the foreign exchange/metal benchmark rates for the intended objective of that subscriber.
- 2.2.8 There are subscribers who may have a financial or other interest in understanding the methodology by which the foreign exchange/metal benchmark rates are calculated and validated by FTSE Russell. 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. FTSE Russell maintains a broad range of controls and procedures to mitigate such

influence, including conducting public consultations over any proposed material methodology change, provide benchmarks on a fair, reasonable and non-discriminatory (FRAND) basis, and independent governance forums and control functions to oversee management and ownership of these risks.

Section 3

Conflicts of Interest

3. Conflicts of Interest that may arise

3.1 Potential conflicts between FTSE Russell and any of its subscribers and data providers

- 3.1.1 FTSE Russell currently sources transaction and other data used in the calculation of its benchmark rates from three data providers: LSEG FX Matching, EBS and Currenex.
- 3.1.2 FTSE Russell maintains robust monitoring and surveillance systems and controls to mitigate market abuse risks, including benchmark manipulation, and operates a number of validation processes that are designed to identify and appropriately address off-market rates while calculating a benchmark rate. However, the information that FTSE Russell obtains from its data providers is not in itself sufficient to determine whether any third party participating on the data providers' platforms is engaging in manipulative or disruptive behaviour, or otherwise engaging in conduct that could adversely impact market participants in the foreign exchange/metal market. FTSE Russell relies primarily on its data providers to monitor for manipulative and disruptive behaviour on their platforms that may impact the quality of the transaction and other data provided to FTSE Russell for use in the calculation of the benchmark rates, 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/metal benchmark rates published by FTSE Russell.
- 3.1.3 Despite the financial benefit obtained by these data providers for providing the transaction and other data used by FTSE Russell 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 WMR, FTSE Russell relies on these platform operators to communicate concerns relating to the operation of their platform, including concerns relating to manipulative or other disruptive behaviour by their subscribers.
- 3.1.4 FTSE Russell 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 FTSE Russell may be impacted. Moreover, if there is a problem with the platform technology, FTSE Russell could experience a delay in receiving the relevant data from the platform or degradation in the quality of the data being received.

3.2 Potential conflicts between FTSE Russell, LSEG FX Matching and other LSEG entities

- 3.2.1 FIL 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. FTSE Russell sources transaction and other data from FX Matching, another LSEG subsidiary. This means that FX Matching, along with EBS and Currenex, provides data inputs that help to determine the WMR benchmark rates. In addition, FTSE Russell relies on LSEG to distribute the benchmark rates to subscribers, via LSEG platforms such as Workspace and Eikon, who have entered into direct licensing arrangements.
- 3.2.2 FTSE Russell has reviewed its governance structure and has identified a number of potential conflicts of interest, some of which are detailed below:

- For WMR, FTSE Russell sources transaction and other input data from FX Matching, another LSEG subsidiary.
- Other LSEG businesses, including LCH and YieldBook currently use the WMR benchmark rates for various purposes.
- FTSE Russell uses the WMR benchmark rates in the calculation of other FTSE Russell indices.

3.2.3 FTSE Russell has implemented robust controls and governance arrangements in order to minimize and mitigate these potential conflicts of interest to the greatest extent possible. Such arrangements include, but are not limited to, the following:

- Other LSEG businesses / entities are completely segregated, wholly owned subsidiaries of LSEG, with their own governance arrangements, including their own boards of directors.
- The WMR operations team and the other LSEG business teams, including FTSE Russell, are segregated from each other and are based in different locations.
- The personnel of the business units are organised into clear, distinct reporting lines and with information flow barriers with each business adopting processes and practices, where relevant, to mitigate the potential for inappropriate influence of the benchmark determinations.
- Group Compliance provide coverage across these businesses and provide additional oversight of these potential conflicts and others to ensure they are mitigated appropriately.
- The WMR 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 governance and control framework ensures independent oversight as any material methodology change is subject to a market consultation which is reviewed and evaluated by the WMR Oversight Committee prior to being considered by the FTSE Russell Index Governance Board.

Section 4

Other Risks

4. Other risks that may arise in connection with the use of the WMR benchmark rates

4.1 Market and Liquidity Risks

4.1.1 Each benchmark rate fluctuates over time in accordance with the underlying trade execution, order or indicative bid and offer rate data used by FTSE Russell as input data for the calculation of the benchmark rate for a particular currency/metal 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 FTSE Russell for use in the calculation of the benchmark rates. For example, where there is insufficient liquidity on the trading venue from which FTSE Russell 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.

4.1.2 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/metals for which there is a less active market. Ultimately, these indicative bid and offer rates are based on the judgement 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.

4.2 Legal and regulatory risks

4.2.1 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.

4.3 Operational Risks

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

4.3.2 If you would like to learn more about the WMR rates service, please visit [ADD WEBSITE LINK](#) 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.

Section 5

Further Information

5. Further information

For further information on FTSE Russell Benchmarks and Indices please visit www.lseg.com/en/ftse-russell/ or e-mail info@ftserussell.com. Contact details can also be found on the website.

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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