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Via E-Mail: wmr.ops@lseg.com

Response to WMR Consultation – Use of Currenex as a Data Source

Dear Sir/ Madam:

Thank you for the opportunity to comment on the proposal to revise the methodology used by FTSE Russell to calculate the daily WMR Spot foreign exchange ("**FX**") benchmark rates for CHF, EUR and JPY. This response is provided by the FX Trading Business of State Street Bank and Trust Company ("**SSBT**"), a wholly-owned insured depository institution subsidiary of State Street Corporation ("**State Street**") headquartered in Boston, Massachusetts. State Street is a global custody bank which specializes in the provision of financial services to institutional investor clients, such as asset owners, asset managers, insurance companies and official sector institutions. This includes investment servicing, investment management, data and analytics, and investment research and trading.

SSBT operates its FX Trading Business through its global branch network, including SSBT London (which is subject to regulation by the United Kingdom ("**UK**") Financial Conduct Authority and the Prudential Regulation Authority), SSBT Boston (which is subject to regulation by the US Federal Reserve) and multiple branches in Asia. While we recognize the potential conflict of interest that may result from SSBT's ownership of Currenex, we would emphasize that this response is provided in our capacity as an FX liquidity provider and swap dealer, including for WMR FX benchmark order execution.

The FX Trading Business understands the issues raised by FTSE Russell in its consultation, specifically, that the liquidity on Currenex and CBOE can be both curated and conditional (e.g., last look), and that trade sizes are generally smaller. As such, this could be seen as a different form of liquidity than the liquidity provided by EBS and Reuters as the other benchmark contributors. However, there is another matter that we would strongly urge FTSE Russell to consider in its selection of FX benchmark data providers. We have observed that EBS and Reuters have progressively been diminishing as a proportion of the overall spot FX markets over the last 10 to 20 years, a trend that is supported by the 2022 BIS Triennial Survey data.[1] As a result, EBS and Reuters are less representative of the market than in years past.

Consequently, a WMR Spot FX benchmark rate based solely on EBS and Reuters data may not appropriately reflect the overall market for CHF, EUR and JPY. The inclusion of Currenex and CBOE could help to reduce that effect, resulting in a more representative benchmark. There is, in our view, a relatively simple solution that would permit FTSE Russell to address these competing factors. Understanding how the secondary markets function, we recommend that Currenex and CBOE be allowed to contribute data in all G-10 currencies, where those contributions are limited to:

1. Trades resulting from a passive firm order in the market, made available to all participants. These resting limit orders would remove any concerns about curated and conditional liquidity.

2. Trades which are greater than a minimum order size (for instance 1 million units to match EBS and Reuters). This immediately removes any concerns about trade size.

We believe that this solution could be reasonably implemented by FTSE Russell without undue complexity or cost, and would help improve the representativeness of the WMR Spot FX Benchmark rates for the future benefit of the overall market.

Given the systemic importance of the WMR Spot FX Benchmark and its status as a critical benchmark under the UK Benchmark Regulation, we believe that the changes proposed by FTSE Russell should be subject to broader review by both FX industry forums and relevant market regulators.

[1] "BIS Quarterly Review: International Banking and Financial Market Developments" Bank for International Settlements (December 2022), https://www.bis.org/publ/qtrpdf/r_qt2212.pdf. Graph B2 (Page 45) shows the diminishing volumes on the primary venues, and Graph 1 (Page 34) shows the increasing volumes in the spot market. See also Graph B2, Panel A, "Trading volumes on the primary venues have been declining for over a decade."

Accordingly, we strongly recommend that FTSE Russell delay any changes to the existing FX benchmark methodology for a period of at least 90 days, thereby permitting broader consultation.

Thank you once again for the opportunity to comment on this matter. Please feel free to contact me at jfoster2@statestreet.com should you wish to discuss our submission in greater detail.

Sincerely,

Jim Foster
Senior Vice President and Global Head of eFX Trading
State Street Markets