

BFIX <GO> **FX benchmark solutions**

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Bloomberg FX Fixings Overview

The Bloomberg FX Fixings (BFX) family of benchmarks covers spots, forward and non-deliverable forward (NDF) rates for a comprehensive global coverage of currencies and metals. The benchmark offers an unbiased source of FX data for market participants who need to use foreign exchange rates for portfolio benchmarking, derivatives valuation, index construction and trade execution.

Key facts

- BFIX is administered and calculated by Bloomberg Index Services Limited (BISL) with transparent methodology publicly available and easily replicable.
- BFIX produces over 1,150 spot currency pairs, and 3,850 forward and NDF fixings.
- 5,000 fixings are generated every 30 mins throughout the day where markets are open.
- Results are published on the terminal to a dedicated screen BFIX <GO> within 15 seconds of the end of the fix for USD based Spots & Forwards and within 1 minute for all.

Compliance and regulatory certifications:

- EU Benchmark Registered (EU_BMR)
- Regulated by Financial Conduct Authority (FCA)
- Administered by Bloomberg Index Services Limited (BISL)
- Confirmed in alignment with the BFIX family of benchmarks with the International Organization of Securities Commissions (IOSCO) Principles

A universal benchmark

The foreign exchange (FX) markets require reliable and robust benchmarks for asset managers, index providers, banks, corporations and other financial market participants. BFIX provides an FX benchmark to transact against and use for valuations throughout your workflow.

Example BFIX use cases for your workflow

- **Valuations** – NAV calcs, Prospectus reporting, accounting firms, risk systems, valuation of investments Funds, mark-to-market
- **Portfolio rebalancing** – Asset managers are mandated to use the same FX rate as the Index provider they are benchmarking to.
- **Conversion** – Representing assets in different currencies for portfolio use and for settlement.
- **Execution** – Take Benchmark orders and execute in market to match the benchmark.
- **Confirmations** – Mark-to-market, settle FX based derivatives, Risk and P&L systems
- **Audit** – Need to execute using an independent third-party derived rate to avoid conflict of interest and ensure a fair rate.
- **Analysis** – Calculate indices, monthly reporting, auditing, analysis and research

Data hierarchy

BFIX rates are based on Bloomberg Generic (“BGN”) prices and Bloomberg Generic Price Executable (“BGNE”). Independent and transparent input data is a valued attribute of the BFIX methodology. The Benchmark strives to be reflective of the currency markets they are designed to measure. They therefore favour, consistent with market practice, the following hierarchy of input data:

- Executed prices
- Executable prices
- Indicative prices

BFIX uses Bloomberg’s BGN and BGNE as its pricing sources and only accepts quotes that contain both a bid and ask, which are the most appropriate for FX transaction pricing.

The BGN is a sophisticated pricing algorithm that produces accurate indications of bid and ask quotes that are derived from hundreds of quality sources, including indicative, executable and executed price quotes from money-centre and regional banks, broker-dealers, inter-dealer brokers, and trading platforms.

The BGNE uses purely executable data from Bloomberg's FXGO platform delivering greater transparency into current market liquidity. They are received from a diverse universe of sources who provide them for the primary purpose of soliciting actual FX transactions from the market. For spot currency pairings, please refer to table A at the end of this document.

BGNE spot currency pairs

The following spot currency pairs in the table below employ the BGNE source for the fixing. This applies only to spot fx and not forwards. All other fixings employ the BGN, except for MYR which employs the REGN.

Name	ISO
Australian Dollar	AUDUSD
British Pound	GBPUSD
Canadian Dollar	USDCAD
Chinese R. Yuan Hk	USDCNH
Czech Koruna	USDCZK
Danish Krone	USDDKK
Euro	EURUSD
Hong Kong Dollar	USDHKD
Hungarian Forint	USDHUF
Indian Rupee	USDINR
Israeli Shekel	USDILS
Japanese Yen	USDJPY
Mexican Peso	USDMXN
New Zealand Dollar	NZDUSD
Norwegian Krone	USDNOK
Polish Zloty	USDPLN
Romanian Leu	USDRON
Russian Ruble	USDRUB
Singapore Dollar	USDSGD
South African Rand	USDZAR
Swedish Krona	USDSEK
Swiss Franc	USDCHF
Thai Baht	USDTHB
Turkish New Lira	USDTRY

Calculation

The BFIX prices are derived by taking a Time-Weighted Average Price ("TWAP") of the arithmetic mid-rates of BGN prices, pre and post the fixing time.

- The TWAP uses a triangular function with the peak of the triangle on the fix. The peak of the triangle will have 10% weight and linear TWAP around that. The Peak weight is assigned to the quote on the exact fix time.
- Each time slice of the fixing is one second long. The BGN can produce multiple prices within one second for a currency pair of which the arithmetic average is taken to produce one BGN price for each second.
- All spot currencies adhere to a 306 second window. All forward points and outright adhere to a 906 second window.

Delivery mechanism

- BFIX rates are published on the Bloomberg Terminal and can be viewed on the BFIX <GO> function
- The rates can be consumed in many Bloomberg analytics and APIs.
- BFIX is also available via our Enterprise Data suite of services for commercial application of the benchmark.
- To inquire about data licenses or other questions, please contact bfixinquiry@bloomberg.net



FAQ

Can I execute against this benchmark?

Yes, a considerable number of sellside banks accept BFIX orders and have been doing so for many years. Bloomberg had an increase in activity when the ECB moved their reference rates away from the market in 2016 and a large number of multinational corporations chose the BFIX as their alternative.

Can you elaborate on the make up of the BGN?

The BGN is made up of a broad universe of pricing feeds which have executable, executed, and indicative data. A number of our clients send us their executable pricing streams as they don't differentiate between an indicative and executable anymore. The BGN has the ability to capture a wide variety of liquidity and because of that is truly reflective of market pricing as it's instantly reflected in the composite.

What is the BGNE?

The BGNE pricing source is a state-of-the-art pricing algorithm derived from purely executable data, computed as the best bid/offer from a curated list of liquidity providers. Adhering to the latest best practices in FX pricing, BGNE:

- Avoids cross-markets by incorporating spike filter technology to achieve accurate market highs and lows.
- Accepts streams associated only with a bid and an ask, and conducts spread analysis logic to avoid market manipulation.
- Operates an age out parameter to remove stale prices.
- Respects local market hours where applicable.
- Maintains the anonymity of pricing feeds by not attributing contributions to price makers.
- Operates with a time-weighted top half of the book and a deep pool of contributors to maintain anonymity and ensure no single bank can dominate pricing.

Remind me, what is IOSCO?

IOSCO (The international Organization of Securities Commissions) published in July 2013, the final draft on 19 Principles For Financial Benchmarks with the following purposes:

- Promote the reliability of benchmarks determination.
- Address the mechanism of accountability, quality and governance.
- Address the concern over fragility of financial benchmarks.
- Not to have a reliable benchmark undermine the confidence in the market.

Are there any days you do not publish?

The BFIX operates 24 hours a day for all weekdays of the year in line with the following market hours and market observed holidays:

- First BFIX at each week will be Sunday 5:30 pm New York time
- Last BFIX of each week will be Friday 5:00 pm New York time.
- The BFIX will not publish on the following days where liquidity is known to be significantly impacted: Good Friday, the market observed Christmas Day and New Year's Day.

Do you deal with currencies that have different settlement dates, for example a EUR/CAD cross?

Yes. We automatically adjust the T+1 currency BFIX to T+2 in the example of EUR/CAD. This solves a huge issue for spot and forward desks. As the cross gets split into the USD legs, if the adjustment is not calculated correctly, one of the dealing desks will wear the funding difference of the settlement daycount. In some currencies this can be significant, and in particular if this is over a weekend and holiday.

You mention rounding logic in the methodology what is it?

We always round down the bid and round up the ask. For example if the price was 1.10529/1.10531, normal rounding would make this 1.1053/1.1053 choice. Our rounding makes this 1.1052/1.1054.

Do you have carry forward logic?

Yes, consistent with market practice if a fixing is not generated we carry forward the previous fixing. This mainly manifests itself in markets with local hours and when that market is closed we carry forward the closing price until it opens again.

How does the benchmark calculate crosses?

The BFIX operates off USD currency pairs. For example a EUR/CHF fixing is crossed up using EUR/USD and USD/CHF BID/ASK fixings.

Where can I find the full methodology?

Please refer to the help page of the BFIX function on the terminal for a complete methodology document and in addition, meeting IOSCO recommendations, a full methodology is publicly available on our website bloomberg.com/markets/currencies/fx-fixings.

Ready to get access to BFIX?

Contact bfixinquiry@bloomberg.net to get started or for more information.

About the Bloomberg Terminal.

Since 1981, business and financial professionals have depended on the Bloomberg Terminal® for the real-time data, news and analytics they need to make the decisions that matter. The Terminal provides information on every asset class — from fixed income to equities, foreign exchange to commodities, derivatives to mortgages — all seamlessly integrated with on-demand multimedia content, extensive electronic-trading capabilities and a superior communications network.



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