



IHS Markit™

IHS Markit Consultation Methodology change for HSBC USDTRY FX Implied ON Fixing Index (HSIRTRON)

07 March, 2017

1. IHS Markit's Administration

IHS Markit is the sole Administrator of a number of HSBC indices. The list of HSBC indices currently administered by IHS Markit can be found [here](#).

IHS Markit administers these indices in accordance with the International Organisation of Securities Commissions Principles for Financial Benchmarks (the "IOSCO Principles")

2. Background

IHS Markit is the Index Administrator of the HSBC TRY Fixings family.

Index Family	Index Name	Ticker
TRY Fixing	HSBC USDTRY FX Implied ON Fixing Index	HSIRTRON
TRY Fixing	HSBC USDTRY FX Implied 1W Fixing Index	HSIRTR1W
TRY Fixing	HSBC USDTRY FX Implied 1M Fixing Index	HSIRTR1M
TRY Fixing	HSBC USDTRY FX Implied 2M Fixing Index	HSIRTR2M
TRY Fixing	HSBC USDTRY FX Implied 3M Fixing Index	HSIRTR3M
TRY Fixing	HSBC USDTRY FX Implied 6M Fixing Index	HSIRTR6M

As part of the periodic review of the index, IHS Markit identified that for the HSBC USDTRY FX Implied ON Fixing Index (HSIRTRON) the implementation of the overnight forward rate didn't follow market convention on overnight rates. Market convention is to calculate an overnight forward rate for the USD/TRY currency pair by subtracting the quoted forward points from the spot rate. In addition, as the overnight forward contract settles before the spot settlement date, the FX return should be calculated as the spot rate over the overnight rate.

3. Proposal

IHS Markit is considering a change in the calculation of the HSIRTRON index from

$$FX\ ON = FX\ Spot + (o/n\ Swap\ Points)/10000$$

to

$$FX\ ON = FX\ Spot - (o/n\ Swap\ Points)/10000$$

In addition, the FX return originally calculated as $FX\ ON / FX\ Spot$ will be calculated as $FX\ Spot / FX\ ON$.

Change will be reflected in the index level calculation as follows:

$$Index_level = 360 / \text{daycount} * ((FX\ Spot / FX\ ON) * (1 + r\ USD * \text{daycount} / 360) - 1)$$

where

$r\ USD = USD\ Libor\ O/N\ interest\ rate$

$FX\ ON = FX\ Spot - (o/n\ Swap\ Points) / 10000$

4. Analysis and conclusion

IHS Markit has conducted historic backtesting and the results are set out in the Appendix. IHS Markit believes that the proposed change will better reflect the underlying economic interest the index intends to measure.

The proposed change has been considered and approved by the Index Administration Committee, subject to consultation with stakeholders.

5. Consultation timetable

The timetable IHS Markit is suggesting is as follows:

- 07th March 2017 – Consultation opens
- 30th March 2017 – Consultation closes
- 06th April – Index Administration Committee reviews stakeholder's feedback and final decision is communicated
- By end of April (assuming proposed change is confirmed) – The HSIRTRON index starts using the new methodology in the index calculation

6. Consultation process

The participation of stakeholders in this consultation is important as IHS Markit seeks to gather views on the proposals herein and the suggested timetable for implementation of those proposals. IHS Markit may publish summaries of stakeholders' comments along with IHS Markit's responses to those comments unless the stakeholder in question expressly requests confidentiality.

To participate in this consultation please respond to IHS Markit Index Administration Services at MK-IndexAdminConsultation@markit.com.

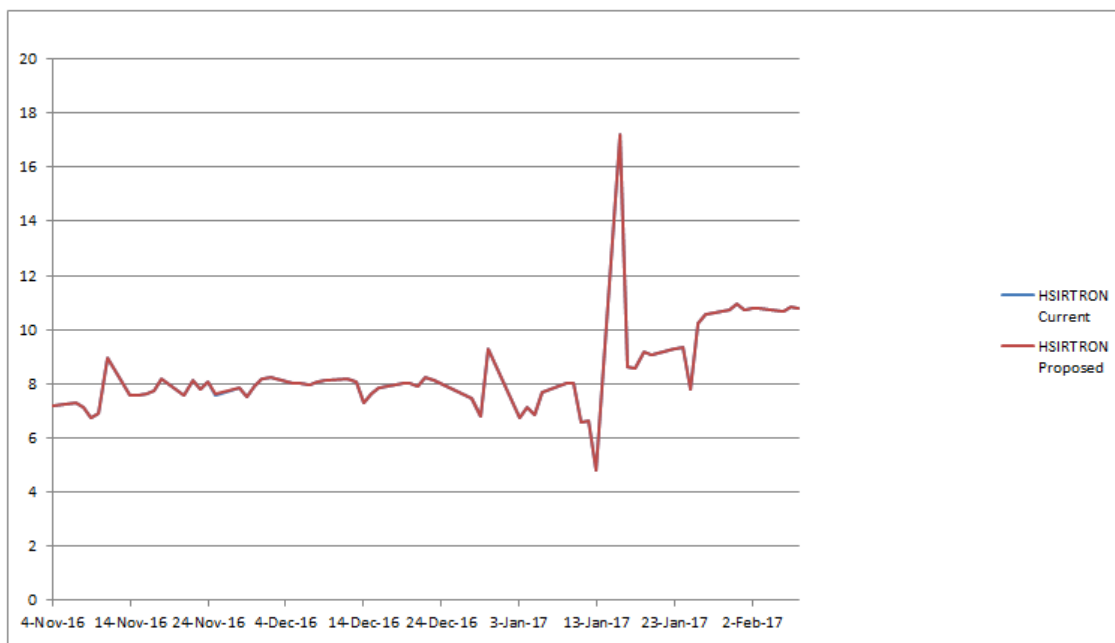
Please be advised that all comments will be reviewed and considered before a final decision is made; however, IHS Markit makes no guarantee and is under no obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. An announcement will be posted on our website accordingly. IHS Markit reserves the right to make a final decision on the proposal; this will be ratified by the Index Administrator Committee and, if appropriate, IHS Markit's Benchmark Oversight Committee.

7. Key questions

Do you have any concerns regarding IHS Markit's proposal to update the methodology for the HSIRTRON index?

8. Appendix

Backtesting of the index has been performed for a period of 3 months (November 2016 to February 2017) and the results are set out below.



Date	HSIRTRON Current	HSIRTRON Proposed	Abs Delta	Rel Delta
4-Nov-16	7.1838	7.1876	0.0038	0.05%
7-Nov-16	7.3112	7.3125	0.0013	0.02%
8-Nov-16	7.1272	7.1285	0.0013	0.02%
9-Nov-16	6.7468	6.7479	0.0011	0.02%
10-Nov-16	6.9241	6.9288	0.0047	0.07%
11-Nov-16	8.9797	8.9858	0.0061	0.07%
14-Nov-16	7.595	7.5965	0.0015	0.02%
15-Nov-16	7.5723	7.5738	0.0015	0.02%
16-Nov-16	7.6532	7.6546	0.0014	0.02%
17-Nov-16	7.7656	7.7671	0.0015	0.02%
18-Nov-16	8.192	8.1971	0.0051	0.06%
21-Nov-16	7.5963	7.5978	0.0015	0.02%
22-Nov-16	8.1467	8.1483	0.0016	0.02%
23-Nov-16	7.7832	7.7862	0.003	0.04%
24-Nov-16	8.0706	8.0723	0.0017	0.02%
25-Nov-16	7.6041	7.6083	0.0042	0.06%
28-Nov-16	7.8331	7.8346	0.0015	0.02%
29-Nov-16	7.5319	7.5333	0.0014	0.02%
30-Nov-16	7.8963	7.8978	0.0015	0.02%

Consultation paper – Methodology change – TRY Fixings (HSIRTRON)

1-Dec-16	8.1759	8.1776	0.0017	0.02%
2-Dec-16	8.2491	8.2542	0.0051	0.06%
5-Dec-16	8.0419	8.0435	0.0016	0.02%
6-Dec-16	7.9934	7.995	0.0016	0.02%
7-Dec-16	7.9539	7.9555	0.0016	0.02%
8-Dec-16	8.0531	8.0548	0.0017	0.02%
9-Dec-16	8.1281	8.1331	0.005	0.06%
12-Dec-16	8.1807	8.1823	0.0016	0.02%
13-Dec-16	8.0699	8.0715	0.0016	0.02%
14-Dec-16	7.2754	7.2767	0.0013	0.02%
15-Dec-16	7.6239	7.6252	0.0013	0.02%
16-Dec-16	7.8468	7.8511	0.0043	0.05%
19-Dec-16	8.0343	8.0358	0.0015	0.02%
20-Dec-16	8.0436	8.0451	0.0015	0.02%
21-Dec-16	7.9023	7.9038	0.0015	0.02%
22-Dec-16	8.2213	8.2229	0.0016	0.02%
23-Dec-16	8.117	8.1231	0.0061	0.08%
28-Dec-16	7.4492	7.4505	0.0013	0.02%
29-Dec-16	6.8013	6.8023	0.001	0.01%
30-Dec-16	9.2865	9.2948	0.0083	0.09%
3-Jan-17	6.7503	6.7513	0.001	0.01%
4-Jan-17	7.131	7.1321	0.0011	0.02%
5-Jan-17	6.8726	6.8737	0.0011	0.02%
6-Jan-17	7.7087	7.7128	0.0041	0.05%
9-Jan-17	8.043	8.0445	0.0015	0.02%
10-Jan-17	8.0043	8.0058	0.0015	0.02%
11-Jan-17	6.5792	6.5801	0.0009	0.01%
12-Jan-17	6.6432	6.6442	0.001	0.02%
13-Jan-17	4.7833	4.7851	0.0018	0.04%
16-Jan-17	17.1841	17.1917	0.0076	0.04%
17-Jan-17	8.6314	8.6332	0.0018	0.02%
18-Jan-17	8.575	8.5767	0.0017	0.02%
19-Jan-17	9.1644	9.1664	0.002	0.02%
20-Jan-17	9.0727	9.0786	0.0059	0.07%
23-Jan-17	9.2832	9.2853	0.0021	0.02%
24-Jan-17	9.3283	9.3304	0.0021	0.02%
25-Jan-17	7.7725	7.7739	0.0014	0.02%
26-Jan-17	10.2328	10.2353	0.0025	0.02%
27-Jan-17	10.5736	10.5818	0.0082	0.08%
30-Jan-17	10.7353	10.7382	0.0029	0.03%
31-Jan-17	10.9277	10.9307	0.003	0.03%
1-Feb-17	10.7314	10.7342	0.0028	0.03%

Consultation paper – Methodology change – TRY Fixings (HSIRTRON)

2-Feb-17	10.774	10.7769	0.0029	0.03%
3-Feb-17	10.7805	10.789	0.0085	0.08%
6-Feb-17	10.6749	10.6777	0.0028	0.03%
7-Feb-17	10.8506	10.8535	0.0029	0.03%
8-Feb-17	10.8025	10.8053	0.0028	0.03%