



IHS Markit™

Consultation

Methodology changes for the HSBC G10 FX and EM FX index families

29 September 2021

1. IHS Markit's Administration

IHS Markit Benchmark Administration Limited (**IMBA UK**) is the sole Administrator of a number of HSBC indices. IMBA UK administers these indices in accordance with the International Organisation of Securities Commissions Principles for Financial Benchmarks (the IOSCO Principles) and the UK Benchmarks Regulation (UK BMR).

2. Background

IMBA UK is the sole administrator of the HSBC indices listed in **Appendix 1** (a full list of benchmarks administered by IMBA UK can be found [here](#)).

The index methodologies currently utilize **USD LIBOR** rates in their calculations. There is impetus from regulators to move away from the use of such rates. The publication of some of these rates will cease immediately after 31 December 2021.

- The cessation in publication of LIBOR rates is described in the FCA announcement on the future cessation and loss of representativeness of the LIBOR benchmarks: <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>

This consultation seeks to nominate suitable alternative rates for use in determining index values, to ensure their continued viability.

3. Consultation and Proposal

IMBA UK is conducting this consultation with interested parties on its intention to amend the methodologies of the indices as follows:

The indices currently utilize USD LIBOR rates of different tenors for the daily calculation of the index levels.

The proposal is to replace the use of any such rates directly with the USD alternative reference rate, the Secured Overnight Funding Rate (SOFR), as defined in **Appendix 1**.

The proposed changes will be effective from an implementation date that will be communicated at a later time and will not affect the historical levels of the indices.

IMBA UK has conducted historical back tests since January 2020 using the proposed successor rate. Please refer to section 5 for details of how to contact IMBA UK for further information.

4. Consultation timetable

The timetable IMBA UK is suggesting is as follows:

- **29 Sep 2021** – Consultation opens
- **27 Oct 2021** – Consultation closes
- **27 Oct 2021** – The Index Administration Committee reviews stakeholders' feedback and makes a decision on course of action
- **TBC** – The proposed methodology changes are communicated and implemented

5. Consultation process

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

To participate in this consultation please respond to IMBA UK at:

MK-IndexAdminConsultation@ihsmarkit.com

All comments will be reviewed and considered before a final decision is made; however, IMBA UK 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. IMBA UK reserves the right to make a final decision on the proposal, and this will be ratified by the Index Administration Committee and, if appropriate, IMBA UK's Benchmark Oversight Committee.

6. Key question(s)

Do you agree with the proposal to change the methodology of the Index?

Appendix 1

Index family	Index ticker	Index Name	Current rate used	Proposed successor rate
G10 FX	HSFADCNU	HSBC FX G10 Carry index	US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
G10 FX	HSFADCVU	HSBC FX G10 Carry Volatility Control Index	US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
G10 FX	HSFADMNU	HSBC FX G10 Momentum Index	US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
G10 FX	HSFADMVU	HSBC FX G10 Momentum Volatility Control Index	US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
G10 FX	HSFADVNU	HSBC FX G10 Value index	US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
G10 FX	HSFADVUU	HSBC FX G10 Value Volatility Control Index	US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)

EM FX	HSFAECNU	HSBC EM FX Carry USD Index	US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 12 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
EM FX	HSFAECVU	HSBC EM FX Carry Vol Control USD Index	US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 12 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)
EM FX	HSFAEMNU	HSBC FX EM Momentum Index	US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 12 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 2 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 3 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar 6 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
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EM FX	HSFAEMVU	HSBC FX EM Momentum Volatility Control Index	US Dollar 1 Month ICE LIBOR	Secured Overnight Financing Rate (SOFR)
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			US Dollar Overnight ICE LIBOR	Secured Overnight Financing Rate (SOFR)
			US Dollar Spot Week ICE LIBOR	Secured Overnight Financing Rate (SOFR)