



August 12, 2014

Thomson Reuters submits this letter in response to the Financial Stability Board's ("FSB") Consultative Document on Foreign Exchange Benchmarks ("FSB consultation"). We thank the members of the FSB FX Benchmark Group for soliciting feedback from market participants on the recommendations described in the FSB consultation.

Thomson Reuters Background

Thomson Reuters plays several key roles in the Foreign Exchange market. It operates the Thomson Reuters Matching, Thomson Reuters Dealing, and FXall applications. Thomson Reuters Matching is an anonymous electronic trading application for the foreign exchange (FX) spot, FX swaps, and non-deliverable forwards markets with a central limit order book model. As is noted in the FSB consultation, Thomson Reuters Matching transaction data is a significant contributor to the WM/Reuters ("WMR") benchmark.

FXall is an electronic trading system for foreign exchange (FX) spot and certain FX derivatives such as FX swaps, FX forwards, and non-deliverable forwards. Approximately twelve hundred institutions trade through FXall. These institutions include a range of industrial companies, active and passive asset managers, banks, other financial institutions, and government and international agencies all over the world.

Thomson Reuters Dealing is a leading global, multi-asset electronic trade negotiation platform, used actively by over 14,000 professionals in over 125 countries for trading a diverse range of over 60 sub-asset classes including derivatives. These applications collectively provide technology and connectivity for market participants and provide both pre- and post-trade transparency on efficient and orderly trading platforms, together with post-trade efficiency.

In addition, Thomson Reuters Finance & Risk Division is a leading provider of real-time market connectivity for financial institutions around the world. Its Finance & Risk Division provides market information, technology and connectivity between market participants to help enable transparent, efficient and orderly securities markets. The Company has pioneered many developments in both Exchange and OTC markets, and has deep expertise in electronic transactions processes across many of the asset ranges.

Recommendation #4: Contributions to the WMR Benchmark

As stated in the FSB Consultation, WMR utilizes a single primary data source for the calculation of the fixing rate for each currency pair, and notes this data source covers a small share of overall market activity. The FX Benchmark Group requests comments on whether WMR should include price and transaction data from a broader range of sources to further increase its coverage of the FX market.



While it is true that EBS and Matching volume is not a large share of the \$5.3 trillion FX daily turnover, it is important to consider the characteristics of liquidity across various trade sources. Thomson Reuters believes that execution venues with the most market-indicative activity and execution prices should contribute to the benchmark, in order to maintain its credibility as an accurate reflection of the FX market during the fixing window.

Thomson Reuters believes that the following liquidity characteristics do not truly reflect market prices, and therefore should not be included in a market benchmark calculation:

- Liquidity 'by appointment' (e.g., Request for Quote)
- Trading platforms with a single liquidity provider distributing customized prices to its customers
- Non-firm liquidity (i.e., where a liquidity provider has the ability to not consummate the trade)
- Trading venues that do not control the final matching decision
- Quotes which are contingent on the counterparty of the resulting execution
- Internalization venues and venues lacking any pre-trade transparency

After excluding volume on platforms that fit the above criteria, EBS and Matching comprise a large proportion of the remaining market activity.

Recommendation #6: Initiatives to create independent netting and execution facilities

The FSB Consultation supports industry-led initiatives to create mechanisms to handle the execution of fix orders, and Thomson Reuters agrees wholeheartedly. We note the need for facilities for both netting and the resulting order imbalances. While a netting exercise, even a global one, would reduce the notional amount of trading interest at the benchmark price, the resulting order imbalance would still be significant. We would also point out that any netting/execution facility would need to consider the trade settlement process, as asset managers cannot directly settle trades with other asset managers. For example, the facility could include a central counterparty (e.g., clearinghouse) that can settle with all trading participants, multiple credit intermediaries (e.g., prime brokers), or would require dealers to trade as principal against those customer orders in a process that addresses.

Thomson Reuters also agrees with the FSB recommendation that these facilities should be independently operated. Any institution which has the potential to be counterparty to these executions cannot operate such a facility without exacerbating the existing conflict of interest problem noted in the FXB Consultation.

Recommendations #7 - 13: Price Transparency for Fixing Transactions



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The FSB Consultation recommends that dealers are compensated in a manner commensurate with the risk they bear, and that this aspect of the transaction price be clearly communicated to customers. The paper suggests that this recommendation, along with several others, will remove the incentive for dealers to manipulate the fix.

Fundamentally, Thomson Reuters believes the conflicts of interest issue can be mitigated with clear segregation of duties between provider-as-agent and provider-as-principal. Properly designed, the independent netting and execution facilities discussed in Recommendation #6 could play a large role in clearly delineating those duties. Those facilities could also help to determine the market price of managing benchmark replication risk.

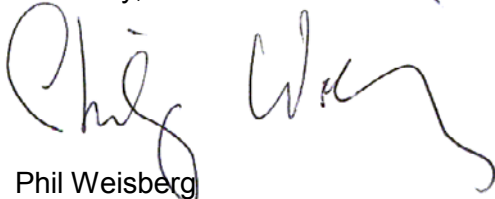
Thomson Reuters supports the effort to mitigate potential conflicts via fix order handling behavior and banks' systems and controls. We also agree that parties who accept benchmark replication risk should be compensated for accepting such risk. For this reason, we support Recommendations #7 – 13 in the FSB Consultation.

Recommendation #15: Due Diligence of Asset Managers

The FSB consultation recommends that asset managers conduct due diligence on rate selection and FX execution quality. Thomson Reuters agrees that asset managers should be responsible for selecting appropriate benchmarks against which to measure their funds. However, we do not believe that responsibility extends to performing due diligence on the benchmark calculation itself. We also agree that asset managers should evaluate their FX execution quality, but note this is not a new obligation, and is addressed by asset managers' broader fiduciary obligations to their clients.

Thank you for the opportunity to comment on this consultative document.

Sincerely,



Phil Weisberg