

Real-Time Currency Valuation in the Global FX Marketplace

A WHITE PAPER SYNOPSIS

Over the last twenty five years, the growth of global economic trade, movement of investment capital across borders, and the proliferation of financial technologies have contributed to the tremendous growth in volume of daily, foreign exchange (“FX”) dependent financial transactions. The FX transactions underpinning these activities, estimated to be in excess of \$5 trillion USD daily volume, largely occurs over-the-counter (“OTC”) through discreet electronic and verbal communications and without the benefit of the transparent price discovery enjoyed by participants who transact on regulated, public stock exchanges where such activity is captured on the “consolidated tape”. This inherent opacity and structural fragmentation of the OTC FX marketplace presents unique problems as it relates to the gathering, calculation and dissemination of FX data for the purpose of real-time currency pair valuation (“FIX”) and the valuation of indices made up of multiple constituent FIX currencies (“FX Indices”).

Cürex Group has developed intellectual property that enables transparent, executable FX indices based on a clear, exchange-like rule set and audited by FTSE, the recognized global financial data company. Cürex’s portfolio of intellectual property, described herein, has been used to develop proprietary order matching and data management technologies and is being used to co-develop financial products for the global marketplace. Cürex Group’s intellectual property has enabled the emergence of new benchmark FX fixing rates for pairs, indices for baskets of currencies, intelligent indices and indices for interest rates derived from both the spot FX and FX swap markets; exclusive and inclusive of yield.

Prior to the launch of the FTSE Cürex FIX and FX Index Series in 2012, no such benchmarks for valuation of OTC FX existed, and today it is the only solution of its kind in the financial marketplace. Previously, the only published benchmarks were based on indicative rates, either time delayed or unclear as to the rules and conditions under which their data was collected and only executable on a disclosed, principal basis. Aside from the FTSE Cürex benchmarks, current live trading venues do not provide accurate time and price data that represent commonly accessible liquidity under transparent rule sets. While there are streaming liquidity price feeds, the data that emanates from such venues is also fragmented and gathered

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under opaque rule sets. Data sets from these venues include quotes that can be rejected after a match occurs and are never intended to be executed (Liquidity Mirage). Other platforms do not require market participants to provide two-sided (bid and offer) quotes simultaneously or in minimum sizes, allowing for the posting of prices based on informational advantage rather than executable liquidity.

FTSE Cürex FIX and FX Index solutions are both supported by price discovery from participants on the anonymous Cürex FX ECN platform (an exchange-like platform for FX), as well as by price discovery that emanates from the financial products that embed the FTSE Cürex FIX into their product NAV calculations. The FTSE Cürex Indices are further supported by an ecosystem that links OTC FX liquidity to exchange traded markets and other OTC markets globally. This ecosystem provides the opportunity for more transparent FX price discovery while maintaining current economic incentives for FX buy-side liquidity takers and FX sell-side liquidity makers as well as for financial product sponsors and their service providers. Cürex's solutions are designed to meet a diverse set of user objectives with a common approach to data integrity and quality.

With its introduction of new integrated technologies and financial products that link the global OTC FX and exchange-traded marketplaces, Cürex Group anticipates the emergence of unprecedented FX price discovery by providing common access and transparent trading rules for market participants. These linked financial products - a new generation of exchange traded products ("ETPs") that enhance traditional asset classes with new sources of yield, diversification and more efficient hedge structures - will benefit from new sources of liquidity and investment strategies enabled by these new technologies. The data that emanates from both OTC and public exchange venues utilizing these new technologies and listing these products will be of high value for all market participants. This Cürex FX index data will provide a standard of valuation benchmarking that exceeds the standards of benchmarks fiduciaries currently employ to measure the value of currency for any purpose, whether it be transaction cost analysis, NAV calculation or financial contract settlement. Cürex Group is uniquely positioned through its pioneering intellectual property and patented technology to deliver new, innovative and valuable tools to meet the demand of a rapidly growing marketplace and the needs of a diverse group of investors increasingly reliant on FX to affect their global strategies and investment mandates.