

# **Dow Jones FXCM Indices** *Methodology*

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# Introduction

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The Dow Jones FXCM Indices take a real-world, transparent approach to measuring economically significant currencies in real-time.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

## Partnership

The indices are offered collaboratively by S&P Dow Jones Indices and FXCM, an acknowledged leader in the online foreign exchange brokerage space.

FXCM Inc. (NYSE: FXCM), is a leading world-wide provider of foreign exchange trading (currency trading) and related services to retail and institutional customers. FXCM, founded in 1999, was the first forex broker to list on the New York Stock Exchange.

For more information on FXCM, please refer to their Web site, [www.fxcm.com](http://www.fxcm.com).

## Highlights and Index Family

The Dow Jones FXCM Indices are currently composed of the Dow Jones FXCM Dollar Index and the Dow Jones FXCM Yen Index.

**Dow Jones FXCM Dollar Index.** Introduced in March 2011, the index is designed to reflect the change in value of the U.S. dollar measured against a basket of the most liquid currencies in the world. The index is built by equal weighting the following currency pairs: EUR/USD, GBP/USD, USD/JPY and AUD/USD. Together, this basket typically accounts for 80% of world-wide currency spot market activity and reflects a diverse economic and geopolitical make-up.

**Dow Jones FXCM Yen Index.** Introduced in June 2012, the index is designed to reflect changes in value of the Japanese yen measured against a basket of four liquid currencies. It is constructed by equal weighting four currency pairs: USD/JPY, EUR/JPY, AUD/JPY and NZD/JPY. These currency pairs were selected for the index primarily based on their liquidity and on real capital flows between the represented economies, while also considering geographic diversification.

# Index Construction

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## **Dow Jones FXCM Dollar Index**

**Approaches.** Because the index is designed to reflect U.S. dollar fluctuations against the basket of fixed FX spot positions, the index's weighting scheme is "Equal FX spot positions in U.S. dollar terms," with the weightings set as equal at inception and rebalancings.

**Selection Criteria.** The index comprises the following four currency pairs, which were selected for their liquidity and for their ability to reflect geographically balanced currency exposure:

- EUR/USD (Euro)
- GBP/USD (British pound)
- USD/JPY (Japanese yen)
- AUD/USD (Australian dollar)

**Input Data.** The index's input data are individual currency pairs calculated based on the conventional quote format, and derived from Thomson Reuters' consolidated data feed from multiple contributors.

Each input value is calculated as a mid-point between bid and ask quotes.

Example (EUR/USD):

EUR/USD Bid = 1.2741

EUR/USD Ask = 1.2743

EUR/USD Mid = 1.2742 = (Bid+Ask)/2

Please note that the mid-point is rounded to four decimals for EUR/USD, GBP/USD and AUD/USD, and rounded to two decimals for USD/JPY.

**Inception Value.** The index's inception value is set at 10,000 as of January 1, 2011, using closing prices of the components as of December 31, 2010.

FX Spot Quotes (Source: Thomson Reuters, as of January 1, 2011):

EUR/USD = 1.3370

$$\text{GBP/USD} = 1.5601$$

$$\text{USD/JPY} = 81.21$$

$$\text{AUD/USD} = 1.0218$$

Equal FX Spot Positions in U.S. Dollar Terms (Source: Thomson Reuters, as of January 1, 2011):

$$\text{EUR Position in U.S. Dollar terms} = 1.3370 \times \text{€}7,479 = \$10,000$$

$$\text{GBP Position in U.S. Dollar terms} = 1.5601 \times \text{£}6,410 = \$10,000$$

$$\text{JPY Position in U.S. Dollar terms} = \text{¥}812,150 \div 81.21 = \$10,000$$

$$\text{AUD Position in U.S. Dollar terms} = 1.0218 \times \text{AU\$}9,787 = \$10,000$$

**Formulas.** Index calculation example at inception, as of January 1, 2011 (Source: Thomson Reuters):

$$\text{Index} = [\$80,000 - (1.3370 \times \text{€}7,479) - (1.5601 \times \text{£}6,410) - (\text{¥}812,150 \div 81.21) - (1.0218 \times \text{AU\$}9,787)] / \text{Divisor}$$

Please note that at inception, the divisor is calculated to establish the index value of 10,000.00.

General index calculation:

$$\begin{aligned} \text{Index} = & [(\$20,000 - (\text{EUR/USDMid-Point} \times \text{€Position})) + (\$20,000 - \\ & (\text{GBP/USDMid-Point} \times \text{£ Position})) + (\$20,000 - (\text{¥ Position} \div \text{USD/JPYMid-Point})) \\ & + (\$20,000 - (\text{AUD/USDMid-Point} \times \text{AU\$ Position}))] / \text{Divisor} \end{aligned}$$

Please note that €, £, ¥, AU\$ Fixed foreign currency positions are calculated at rebalancing.

### Dow Jones FXCM Yen Index

**Approaches.** Because the index is designed to reflect Japanese yen fluctuations against the basket of fixed FX spot positions, the index's weighting scheme is "equal FX spot positions in Japanese yen terms," with the weightings set as equal at inception and rebalancings.

**Selection Criteria.** The index comprises the following four currency pairs, which were selected for their liquidity and on real capital flows between the represented economies. Geographic diversification was another factor considered in selecting the currencies.

- USD/JPY
- EUR/JPY
- AUD/JPY
- NZD/JPY

**Input Data.** The index's input data are individual currency pairs calculated based on the conventional quote format, and derived from Thomson Reuters' consolidated data feed from multiple contributors.

Each input value is calculated as a mid-point between bid and ask quotes.

Example (USD/JPY):

USD/JPY Bid = 80.25

USD/JPY Ask = 80.27

USD/JPY Mid = 80.26 = (Bid+Ask)/2

**Inception Value.** The index's inception value is set at 10,000 as of December 31, 2010.

FX Spot Quotes (Source: Thomson Reuters, as of December 31, 2010):

USD/JPY = 81.15

EUR/JPY = 108.63

AUD/JPY = 82.95

NZD/JPY = 63.13

Fixed foreign currency quantities per ¥10,000 are calculated as follows (FX rates as of December 31, 2010; Source: Thomson Reuters):

USD Quantity per ¥10,000 = ¥10,000 ÷ 81.15 USD/JPY = \$123

EUR Quantity per ¥10,000 = ¥10,000 ÷ 108.63 EUR/JPY = €92

NZD Quantity per ¥10,000 = ¥10,000 ÷ 63.13 NZD/JPY = NZ\$158

AUD Quantity per ¥10,000 = ¥10,000 ÷ 82.95 AUD/JPY = AU\$121

**Formulas.** Index calculation example at inception, as of December 31, 2010 (Source: Thomson Reuters):

$$\text{Index} = [\text{¥}80,000 - (81.15 \text{USD/JPY} \times \$123) - (108.63 \text{EUR/JPY} \times \text{€}92) - (63.13 \text{NZD/JPY} \times \text{NZ\$ } 158) - (82.95 \text{AUD/JPY} \times \text{AU\$}121)] / \text{Divisor}$$

Please note that at inception, the divisor is calculated to establish the index value of 10,000.00.

General index calculation:

$$\text{Index} = [(\text{¥}20,000 - (\text{USD/JPY} \times \$\text{Quantity})) + (\text{¥}20,000 - (\text{EUR/JPY} \times \text{€Quantity})) + (\text{¥}20,000 - (\text{NZD/JPY} \times \text{NZ\$Quantity})) + (\text{¥}20,000 - (\text{AUD/JPY} \times \text{AU\$Quantity}))] / \text{Divisor}$$

# Index Maintenance

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## Rebalancing

As time goes by, position values fluctuate and deviate from their original 10,000\* value. For the purposes of protection of the index's integrity and security, the value of each position must not fall below 1,000\* (or -90%). The position monitoring rule was created to protect the index by alerting the index administrator that an individual position reached a critical level of 1,000\* (or -90%) on its way from 10,000\* to 0\*.

Where possible, rebalancings will be planned and announced at least five trading days in advance.

*\* \$ for Dow Jones FXCM Dollar Index and ¥ for Dow Jones FXCM Yen Index.*

## Extraordinary Events

In the case of qualified structural changes in the marketplace, rebalancings where possible will be planned and announced at least one month in advance.

## Base Dates and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
Dow Jones FXCM Dollar Index	03/23/2011	12/31/1998	12/31/2010	10,000
Dow Jones FXCM Yen Index	06/21/2012	12/31/1998	12/31/2010	10,000

# Index Governance

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## **Index Committee**

The Dow Jones FXCM Indices are maintained by the Global Equity Indices Index Committee. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The committee meets monthly. At each meeting, the Index Committee reviews any significant market events. In addition, the Index Committee may revise index policy covering rules for timing of rebalancing or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*



# Index Policy

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## **Announcements**

Index data is evaluated daily. Anything affecting the daily index calculation is announced to clients via an index announcement.

Index methodology is constantly under review for best practices, and any changes are announced well ahead of time via the Web site and email to all clients.

## **Holiday Schedule**

The Dow Jones FXCM Indices are calculated daily, throughout the calendar year. The only days the index is not calculated are on days when Thomson Reuters' exchange rates services are not published.

*A complete holiday schedule for the year is available on the S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

## **Recalculation Policy**

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Index methodology event
2. Late announcement
3. Revised source data

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

*For more information on the recalculation policy please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

**Real-Time Calculation**

Real-Time, intra-day, index calculations are executed for each index every 15 seconds, during applicable trading hours. Real-time indices are not restated.

# Index Dissemination

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Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## **Tickers**

<b>Index (Price Return)</b>	<b>Bloomberg</b>	<b>Reuters</b>
Dow Jones FXCM Dollar Index (USD)	USDOLLAR	.USDOLLAR
Dow Jones FXCM Yen Index (JPY)	DJFXJPY	.DJFXJPY

## **FTP and Web site**

Daily index levels and data are available via FTP on subscription.

*For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

# S&P Dow Jones Indices' Contact Information

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