

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

July 2014

# Table of Contents

---

Introduction	2
<b>Partnership</b>	<b>2</b>
<b>Highlights and Index Family</b>	<b>2</b>
Index Construction	3
<b>Dow Jones FXCM Dollar Index</b>	<b>3</b>
<b>Dow Jones FXCM Yen Index</b>	<b>4</b>
Index Maintenance	6
<b>Rebalancing</b>	<b>6</b>
<b>Extraordinary Events</b>	<b>6</b>
<b>Base Dates and History Availability</b>	<b>6</b>
Index Governance	7
<b>Index Committee</b>	<b>7</b>
Index Policy	8
<b>Announcements</b>	<b>8</b>
<b>Holiday Schedule</b>	<b>8</b>
<b>Recalculation Policy</b>	<b>8</b>
<b>Real-Time Calculation</b>	<b>9</b>
Index Dissemination	10
<b>Tickers</b>	<b>10</b>
<b>FTP and Web site</b>	<b>10</b>
S&P Dow Jones Indices' Contact Information	11
<b>Index Management</b>	<b>11</b>
<b>Product Management</b>	<b>11</b>
<b>Media Relations</b>	<b>11</b>
<b>Client Services</b>	<b>11</b>
Disclaimer	12

---

# Introduction

---

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

---

## **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:

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

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):

$$\text{USD/JPY Bid} = 80.25$$

$$\text{USD/JPY Ask} = 80.27$$

$$\text{USD/JPY Mid} = 80.26 = (\text{Bid} + \text{Ask}) / 2$$

**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):

$$\text{USD/JPY} = 81.15$$

$$\text{EUR/JPY} = 108.63$$

$$\text{AUD/JPY} = 82.95$$

$$\text{NZD/JPY} = 63.13$$

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

$$\text{USD Quantity per ¥10,000} = ¥10,000 \div 81.15 \text{ USD/JPY} = \$123$$

$$\text{EUR Quantity per ¥10,000} = ¥10,000 \div 108.63 \text{ EUR/JPY} = \text{€}2$$

$$\text{NZD Quantity per ¥10,000} = ¥10,000 \div 63.13 \text{ NZD/JPY} = \text{NZ\$}158$$

$$\text{AUD Quantity per ¥10,000} = ¥10,000 \div 82.95 \text{ AUD/JPY} = \text{AU\$}121$$

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

$$\text{Index} = [¥80,000 - (81.15 \text{ USD/JPY} \times \$123) - (108.63 \text{ EUR/JPY} \times \text{€}2) - (63.13 \text{ NZD/JPY} \times \text{NZ\$} 158) - (82.95 \text{ AUD/JPY} \times \text{AU\$}121)] / \text{Divisor}$$

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

---

## 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

---

## **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

---

## **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

---

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

---

## **Index Management**

David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee david.blitzler@spdji.com	+1.212.438.3907
Andrew Zrodowski – Index Manager andrew.zrodowski@spdji.com	+1.212.438.3346

## **Product Management**

Vinit Srivastava – Senior Director, Strategy Indices vinit.srivastava@spdji.com	+1.212.438.4168
--	-----------------

## **Media Relations**

David Guarino – Communications dave.guarino@spdji.com	+1.212.438.1471
--	-----------------

## **Client Services**

<a href="mailto:index_services@spdji.com">index_services@spdji.com</a>	
Beijing	+86.10.6569.2770
Dubai	+971.4.371.7131
Hong Kong	+852.2532.8000
London	+44.20.7176.8888
New York	+1.212.438.2046 or +1.877.325.5415
Sydney	+61.2.9255.9802
Tokyo	+81.3.4550.8564

# Disclaimer

---

© S&P Dow Jones Indices LLC, a part of McGraw Hill Financial 2014. All rights reserved. Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a part of McGraw Hill Financial. Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Trademarks have been licensed to S&P Dow Jones Indices LLC. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. All information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties. Past performance of an index is not a guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-

party data providers and licensors (collectively “S&P Dow Jones Indices Parties”) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN “AS IS” BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Dow Jones Indices keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Dow Jones Indices may have information that is not available to other business units. S&P Dow Jones Indices has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

The Dow Jones FXCM Indices are published pursuant to an agreement between Standard & Poor’s Financial Services LLC and Forex Capital Markets LLC.