

Bloomberg Short-Term Bank Yield Index (BSBY)

BSBY Key Features and Methodology



What is BSBY?

- USD Reference Rate developed by Bloomberg.
- Tries to represent the rate at which large global banks access senior unsecured marginal wholesale funding.
- Realizes the market's need for a credit-sensitive LIBOR successor available in tenors.



How is BSBY calculated?

- Transaction data and executable quotes from Bloomberg's electronic trading solutions are gathered, aggregated and consolidated (commercial papers, certificates of deposits, USD bank deposits and corporate bonds) across 3 days.
- Data is normalized and weighted (executable quotes are weighted 12,5% of their size).
- Special curve fitting process generates tenors.
- If liquidity is not high enough one day is added to the lookback period (up to five days in total).

Tradition US SOFR vs BSBY Rates

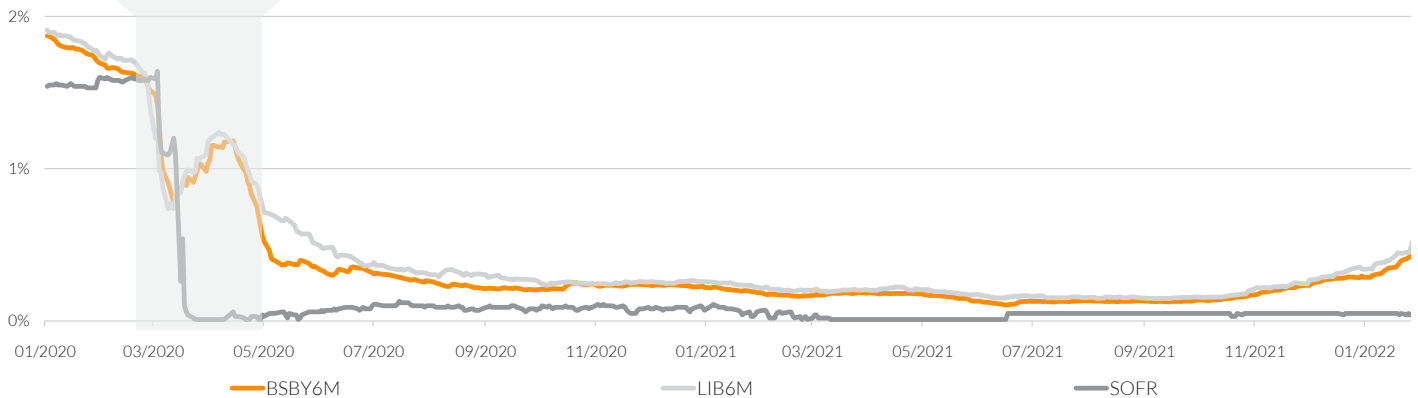


What is the difference to SOFR?

- Based on anonymized transactions and executable quotes.
- Available for tenors overnight, 1-month, 3-month, 6-month and 12-month.
- Shows strong correlation to USD LIBOR even in stressed periods, e.g., the COVID-19 pandemic.



← first COVID-19 wave



— BSBY6M

— LIB6M

— SOFR

Updates



Latest News

- BSBY has been added by ISDA to its fallback floating rate definitions.
- Right now, BSBY is not compliant with the UK Benchmark Regulation (BMR), which means FCA-regulated entities are not allowed to trade contracts referenced to the rate.
 - FCAs Director of Markets and Wholesale Policy said that BSBY does not satisfy requirements for robust fallback arrangements.
 - Bloomberg Index Services does not claim that BSBY is UK BMR compliant.
- US firms, including JP Morgan and Bank of America, have traded more than \$6 billion of BSBY swaps.
- CME & LCH are clearing BSBY swaps.

