

# Bloomberg Short-Term Bank Yield Index

## Announcement post-Consultation on Methodology Enhancement

November 8th, 2021

### Update on BSBY Methodology Enhancements Consultation

On October 7, 2021, Bloomberg Index Services Limited (“**BISL**”) announced a [consultation](#)<sup>1</sup> on enhancing the resiliency of the methodology of the Bloomberg Short-Term Bank Yield Index (“**BSBY**”). Overall, BSBY users have supported the proposed changes. The BSBY index team received important feedback concerning the implementation mechanics of the expanded waterfall to ensure alignment with contractual fallback mechanisms. Therefore, we will include in the updated BSBY methodology clear steps the BSBY index team will take to publish any use of so-called ‘Level 6’ via a variety of channels, including the BSBY webpage and via newswire, to ensure users are aware of such calculation status. The BSBY index team will likewise publish information concerning the number of consecutive days, as applicable, and the number of days within a rolling period, as applicable, BSBY is calculated utilizing the ‘Level 6’ of the methodology waterfall.

Substantively, the one change to the proposal broadly supported by users was the use of the Secured Overnight Financing Rate (“**SOFR**”) in lieu of the Overnight Bank Funding Rate (“**OBFR**”) at the final stage of the BSBY waterfall.

While the BSBY index team identified OBFR as a preferred alternative to SOFR based on the similar characteristics it shares with BSBY, users pointed out that due to the overlap between OBFR’s underlying markets and BSBY’s underlying markets, this could increase the likelihood both rates might suffer from illiquidity at the same time.

In addition, knowing that many BSBY users would rely upon SOFR-based contractual fallbacks, the BSBY index team believed users might be better served with a non-SOFR based internal waterfall mechanism. However, as was pointed out in feedback to our consultation, aligning the BSBY internal waterfall with SOFR will ease potential transition from BSBY to such contractual fallbacks, if needed. Accordingly, when the BSBY methodology is updated, SOFR will take the proposed place of OBFR in the final stage of the enhanced waterfall.

### Timing

We anticipate the updated methodology will be implemented as of Monday November 15<sup>th</sup>, 2021.

Any questions, comments or suggestions should be directed to [info@bloombergindices.com](mailto:info@bloombergindices.com).

<sup>1</sup> <https://assets.bbhub.io/professional/sites/10/BSBY-Consultation-on-Enhanced-Resiliency.pdf>

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