

# BSBY

## Bloomberg Short-Term Bank Yield Index

July 13, 2021

The Bloomberg Short-Term Bank Yield Index measures the average yields at which systemically important banks access USD unsecured wholesale funding. It is a forward-looking term rate with credit sensitivity and reflects those banks' marginal funding cost at overnight (O/N), 1-month (1M), 3-month (3M), 6-month (6M) and 12-month (12M) tenors. BSBY is aligned with the IOSCO Principles for Financial Benchmarks.

### Key features

- BSBY was created to meet client needs primarily in the U.S. lending markets, and complements the adoption of the Secured Overnight Financing Rate (SOFR) as the market moves away from the London Inter-Bank Offered Rate (LIBOR)
- BSBY is a standalone rate that includes both a term structure and a dynamic credit-sensitive spread
- BSBY is calculated from consolidated, anonymized transaction data and executable quotes from primary markets in commercial paper, certificates of deposit, bank deposits and short-term corporate bonds. The methodology is transparent, and is publicly available<sup>1</sup>
- Data is currently sourced from Bloomberg's electronic trading solutions and FINRA's reports via the Trade Reporting and Compliance Engine (TRACE). BSBY will also include data sourced from the Depository Trust & Clearing Corporation (DTCC)
- BSBY was developed to meet the demand from the commercial loan market segments for a credit-sensitive alternative rate to LIBOR
- BSBY is reflected in ISDA's 2021 Floating Rate Option Definitions, and the Loan Syndications and Trading Association's (LSTA's) "'Credit-Sensitive Rate' Slot-in Rider for Fallback Language"
- CME Group announced<sup>2</sup> the launch of BSBY futures contracts in early Q3 and BSBY swap clearing for Q4 2021
- BSBY has already seen market activity, including the issuance of corporate bonds<sup>3</sup>, floating-rate notes<sup>4</sup>, syndicated loans<sup>5</sup> and certificates of deposit<sup>6,7</sup>, as well as several swap trades<sup>8</sup> referencing BSBY
- BSBY is administered by Bloomberg Index Services Limited (BISL), an authorized UK benchmark administrator, in alignment with the IOSCO Principles for Financial Benchmarks, per an external review<sup>9</sup>
- BSBY is available for use in the EU under the third-country regime. BISL is in the process of bringing BSBY within the UK benchmark regulation framework

1. [www.bloomberg.com/bsby](https://assets.bbhub.io/professional/sites/27/BSBY-Methodology-Documents-May-2021.pdf) or directly at <https://assets.bbhub.io/professional/sites/27/BSBY-Methodology-Documents-May-2021.pdf>

2. CME Group launches BSBY Futures – <https://www.cmegroup.com/trading/interest-rates/bsby-futures.html>

3. Bank of America Corp. \$1.25bn, 3yr corp. bond. Bloomberg ticker BAC Float 05/28/24 <Corp><DES>  
– <https://www.ifre.com/story/2886421/bank-of-america-adds-to-bsby-momentum-jxq0cdcwx>

4. Bank of America Corp. announces \$1bn first issuance of FRN linked to BSBY – <https://www.businesswire.com/news/home/20210421005569/en/>

5. \$150mil revolver loan. Syndicate lead Bank of America Corp. Participants include KeyBank, BMO Harris Bank & US Bank. Bloomberg ticker BL362812 <Corp> <DES> – <https://www.marketwatch.com/investing/stock/dlth/SecArticle?guid=14969921>

6. Bank of Montreal Chicago \$1.25bn Certificate of Deposit. Bloomberg ticker BMO Float 12/01/21 <Corp><DES>

7. Toronto Dominion Bank NY \$1bn Certificate of Deposit. Bloomberg ticker TD FLOAT 12/09/21 <Corp><DES>

8. \$250 MM one-year basis swap between JPMorgan Chase & Co. and Bank of America Corp.  
– <https://www.bloomberg.com/news/articles/2021-05-03/bofa-jpmorgan-enter-swaps-trade-tied-to-new-libor-replacement>

9. A copy of the IOSCO Adherence Assurance Report is available on request via the Resources section at [www.bloomberg.com/bsby](https://www.bloomberg.com/bsby)

## BSBY methodology

- BSBY is based on consolidated, anonymized transaction data and firm executable quotes of commercial paper (CP), certificates of deposit (CD) and bank deposits from Bloomberg electronic trading solutions, as well as the trades of senior unsecured bank corporate bonds as reported in TRACE. BSBY will also include data sourced from the DTCC
- BSBY is calculated using transaction-related data from 34 banks, including global systemically important banks (G-SIBs), and may include certain other systemically relevant banks (as determined by BISL), but excludes any state-owned banks
- BSBY is constructed based on a rolling window of trading data that is based on the three prior business days, and uses a localized, trimmed curve-fitting methodology for the calculation of each tenor's rate
- BSBY rates are based on instrument volumes that have averaged more than \$165 billion in transactions, and exceed \$200 billion when firm executable offers are included in the calculation
- In the event that the minimum volume threshold for a tenor is not met, the BSBY construction algorithm uses a fallback process with a four- or five-day lookback window. For the past three years of data, the five-day window was not required for O/N, 1M and 3M tenors and was only required on 0.2% of occasions for 6M and 12M tenors. In the unlikely event that a five-day window is insufficient, the prior business day's rate is used
- Across each tenor, where executable quotes are used, the available volume is scaled down by a factor of 0.125 to recognize actual transactions as the primary determinant of the BSBY rate
- Any single bank's issuance-related data (CP, CD, bonds and deposits) to be included in the calculated rate for a single tenor is capped at 20%, and individual transactions and executable quotes are capped at \$500 million
- Trades are bucketed within maturity ranges per tenor (e.g., the 3M tenor takes trades and executable quotes in a 46-to-125 calendar-day maturity range) and a regression process fits them to the single tenor maturity point (e.g., the 3M tenor has a 90-calendar-day evaluation point)
- The resulting BSBY rate, to five decimal places, is published for all tenors each U.S. government securities business day, in accordance with the SIFMA U.S. calendar, at 8:00 am ET for 'value' on the day of publication

For further information on the construction of BSBY, including details of eligibility criteria for each traded instrument or executable quote; minimum volume requirements per tenor; outlier trimming; rounding convention; a list of eligible banks; a list of eligible countries for deposit transactions; and fallback procedures, please see the BSBY Index Methodology and Research Paper at [bloomberg.com/bsby](https://bloomberg.com/bsby).

## BSBY performance

BSBY has proven robust to a range of historical backtests. Each tenor demonstrates strong historical correlation with the corresponding USD LIBOR rate, supporting the role of BSBY as an appropriate representation of the U.S. wholesale, unsecured funding market. BSBY is highly correlated to LIBOR. For the three years from January 2018, BSBY and USD LIBOR correlate to 99.6% at the 1M tenor and 99.8% at the 3M tenor.<sup>10</sup>

However, while the USD LIBOR calculation is based on input data and expert judgment from a panel of 16 contributor banks, BSBY incorporates data from instruments issued by G-SIBs and domestic systemically important banks (D-SIBs), excluding all state-owned banks. The resulting dataset incorporates transaction-related data from 34 banks.



Fig.1 – BSBY3M vs USD LIBOR 3M from January 2016.

## Data availability

- BSBY rates are updated daily at 8:00 am ET on the Bloomberg Terminal, and are available through Bloomberg Data License. The data will soon be available on Bloomberg B-PIPE, and through authorized third-party redistributors. The data is also published on [bloomberg.com/bsby](https://bloomberg.com/bsby) and includes historical values
- On the Bloomberg Terminal, BSBY rates can be accessed via Bloomberg index tickers: BSBYON, BSBY1M, BSBY3M, BSBY6M, BSBY12M
- Bloomberg curves and Bloomberg Generic Price (BGN <GO>), for the most active 1M and 3M BSBY tenors, are available on the Bloomberg Terminal at ICVS 548 and ICVS 528 <GO>, respectively

10. Bloomberg Quantitative Research, "Introducing the Bloomberg Short-Term Bank Yield Index", December 18, 2020

## BSBY ecosystem and market use

BSBY has seen broad market adoption and is supported by Bloomberg's leading data, analytics and trading services. Examples include:

- ISDA has created documentation that governs trading in BSBY swaps. ISDA included BSBY, with defined fallbacks, in its Floating Rate Option Definition
- LSTA has issued a market advisory providing lenders and borrowers with language to be used as part of the larger suite of potential LIBOR replacements, which includes BSBY as an eligible rate
- BSBY has been designed for use in both fair value hedge accounting and cash flow hedge accounting
- CME Group<sup>11</sup> announced the launch of BSBY futures contracts in early Q3 2021 and BSBY swap clearing for Q4 2021
- Bloomberg Terminal functions, including Swap Manager (SWPM <GO>) and Advanced Yield and Spread Analysis (YASN <GO>), will support derivatives and cash product pricing and analytics
- Bloomberg trading services will soon support BSBY swap trading on Bloomberg Swap Execution Facility (BSEF <GO>) and Bloomberg Multilateral Trading Facility (BMTF <GO>)
- BSBY swap tickers are available using the following CURRENCY <GO> example ticker conventions:
  - BSBY 30/360 semi-annual IRS - USBYSMx (vs BSBY1M) and USBYSQx (vs BSBY3M)
  - SOFR vs BSBY basis - USVBMx (vs BSBY1M) and USSVBQx (vs BSBY3M)
  - BSBY single currency basis - USBBYAx (BSBY3M vs BSBY1M) and USBBYCx (BSBY3M vs BSBY6M)
  - Act/360 annual IRS - USBYAMx (vs BBSY1M) and USBYAMx (vs BSB3M)
  - Swap spread vs U.S. Treasury - USSPVB02 and further tenors to USSPVB50

## Commercial terms and licensing

The use of BSBY in financial instruments (such as loans, notes and swaps) is governed by use terms accessible via [bloomberg.com/bsby](https://bloomberg.com/bsby).

Institutional clients with assets in excess of \$2 billion who wish to use BSBY in financial instruments, and for other purposes provided for in the BSBY usage terms, are required to pay an annual license fee. The BSBY usage terms apply in addition to, and separate from, any other license under which the BSBY data is accessed or obtained (e.g., the Bloomberg Terminal).

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- The lead arranger and other syndicate members of a BSBY syndicated loan
- All parties to a BSBY swap
- A broker or inter-dealer broker who provides pricing in BSBY-linked swaps, derivatives and other instruments
- Parties engaging in benchmarking, performance measurement and similar activities

Separate licenses are required for specialist cases such as BSBY data redistribution, using BSBY for index and derived benchmark creation, and the creation/issuance of exchange-traded derivatives and clearing of OTC swaps. Further details are available in the BSBY usage terms and the associated FAQs.

BSBY data is available on the Bloomberg Terminal at no additional cost and can also be accessed via [bloomberg.com/bsby](https://bloomberg.com/bsby).

<sup>11</sup>. CME Group launches BSBY Futures – <https://www.cmegroup.com/trading/interest-rates/bsby-futures.html>

## Additional reference materials

The following additional materials are available in the resources section at [bloomberg.com/bsby](https://www.bloomberg.com/bsby):

- BSBY methodology
- BSBY research paper: "Introducing the Bloomberg Short-Term Bank Yield Index"
- BSBY report: Additional analysis and key facts
- IOSCO Assurance Report
- BSBY historical data
- BSBY usage terms and product disclaimer
- BSBY technical notices

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