




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denoted as **bp**, colloquially referred to in the plural as "bips", also known as a "beep"^[1]) is a unit equal to one hundredth of a percentage point,^{[2][3]} or one part per ten thousand, 1/10000. The same unit is also (rarely) called a **permyriad**, literally meaning 'for (every) myriad (ten thousand)', and in that context is written with U+2031 ‰ PER TEN THOUSAND SIGN (HTML: ‱)^[4] which looks like a percent sign (%) with two extra zeroes at the end (like a stylized form of the four zeros in the denominator, although it originates as a natural extension of the percent (%) and permille (‰) signs).

A basis point is defined as:

1 basis point = 1 permyriad = one one-hundredth percent

1 bp = 1‰ = 0.01% = 0.1‰ = 10^{-4} = $\frac{1}{10000}$ = 0.0001

1% = 100 bp = 100‰

Basis points are used as a convenient unit of measurement in contexts where percentage differences of less than 1% are discussed. The most common example is interest rates, where differences in interest rates of less than 1% per year are usually meaningful to talk about. For example, a difference of 0.10 percentage points is equivalent to a change of 10 basis points (e.g. a 4.67% rate increases by 10 basis points to 4.77%).

Like percentage points, basis points avoid the ambiguity between relative and absolute discussions about interest rates by dealing only with the absolute change in numeric value of a rate. For example, if a report says there has been a "1% increase" from a 10% interest rate, this could refer to an increase either from 10% to 10.1% (relative, 1% of 10%), or from 10% to 11% (absolute, 1% plus 10%). If, however, the report says there has been a "10 basis point increase" from a 10% interest rate, then we know that the interest rate of 10% has increased by 0.10% (the absolute change) to a 10.1% rate.

It is common practice in the financial industry to use basis points to denote a rate change in a financial instrument, or the difference (spread) between two interest rates, including the yields of fixed-income securities.

Since certain loans and bonds may commonly be quoted in relation to some index or underlying security, they will often be quoted as a spread over (or under) the index. For example, a loan that bears interest of 0.50% per annum above the London Interbank Offered Rate (LIBOR) is said to be 50 basis points over LIBOR, which is commonly expressed as "L+50bps" or simply "L+50".

The term "basis point" has its origins in trading the "basis" or the spread between two interest rates. Since the basis is usually small, these are quoted multiplied up by 10000, and hence a "full point" movement in the "basis" is a basis point. Contrast with pips in FX forward markets.