



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Developing a Single Code

DISCLAIMER: the views expressed in this presentation are solely those of the author and do not necessarily represent the views of the ECB

3 November 2015  
Guy-Charles Marhic

## Mandate



FSB established the FXBG working group to focus on FX benchmarks:

- undertake analysis of the FX market structure and incentives that may promote particular types of trading activity around the benchmark fixings
- propose possible remedies to address these adverse incentives as well as examine whether there is a need and scope to improve the construction of the benchmarks themselves

## Members



RESERVE BANK  
OF AUSTRALIA



BANK OF CANADA

Co-Chairs: Guy Debelle (RBA), Paul Fisher (BoE)

Reserve Bank of Australia

Bank of Canada

Bafin

Banque de France

Bank of Japan & Financial Services Agency

Banco de México

Monetary Authority of Singapore

Swiss National Bank

Bank of England and Financial Conduct Authority

Federal Reserve Bank of New York & Federal Reserve Board

European Central Bank

IOSCO

FSB Secretariat

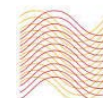


EUROPEAN CENTRAL BANK

EUROSYSTEM



日本銀行  
BANK OF JAPAN



BaFin



BANCO DE MÉXICO



Schweizerische Nationalbank  
Banque Nationale Suisse  
Banca Nazionale Svizzera  
Banca Nazionale Svizzera  
Swiss National Bank



BANK OF ENGLAND



FSA



MAS



BANQUE DE FRANCE

EUROSYSTEME

## Engagement and timeline



### Engagement with:

- Global and local asset and money managers
- Non-financial corporates
- Benchmark providers in FX and other markets
- FX trading platforms
- Banks and investment banks

### Timeline:

- 14 February 2014: Creation of the Group
- 15 July 2014: Interim report for public consultation: large number of answers
- 30 September 2014: **Final report: 15 recommendations**  
(WMR, execution and pricing, conduct)
- November 2014: Approved by G20
- 20 March 2015: FSB letter to FX Committees on implementation
- **October 2015: Progress report published**

## Global Foreign Exchange Committees

AUSTRALIA – The Australian Foreign Exchange Committee

CANADA – Canadian Foreign Exchange Committee

EURO AREA – ECB Foreign Exchange Contact Group

HONG KONG – Treasury Markets Association

JAPAN – Tokyo Foreign Exchange Market Committee

SINGAPORE – Singapore Foreign Exchange Market Committee

UK – Foreign Exchange Joint Standing Committee

USA – Foreign Exchange Committee



## First Global Preamble (June 2013)

### Codes of Best Market Practice and Shared Global Principles

The foreign exchange market is a global market. Trading hours span roughly six days per week, twenty-four hours per day and take place in various financial centers. Across these financial centers, different codes are developed and employed to promote best market practices and high standards of conduct and professionalism, and to encourage fair, liquid, transparent and accessible foreign exchange markets. These codes typically have no statutory underpinnings but they may refer to legal requirements, ordinances or regulations which are binding. Participants in the foreign exchange market are urged to respect these voluntary guidelines when conducting their business. In addition, organizations such as the BIS may also issue recommendations and guidance relating to the management of risk associated with foreign exchange transactions.

The codes seek to include guidance on all elements of the foreign exchange transaction process from pre-trade to post-trade activities. While the codes have distinctive features based upon local factors in different regions, there is broad recognition that the foreign exchange market transcends regional borders. Accordingly, the various foreign exchange committees around the world seek to work together to enhance communication and coordination, to share information on committee initiatives and projects, and to exchange perspectives on developments and trends in the global foreign exchange market. In addition, there is shared support for certain high-level principles that underpin these various distinct codes and help to promote more robust risk management practices in global foreign exchange. For example, foreign exchange market participants are expected to have policies and procedures in place to:

- develop and promote a strong culture of ethical behaviour and standards of conduct;
- promote awareness and use of general dealing practices, procedures and conventions;
- ensure accurate and timely pre-trade preparation and trade capture;
- support robust and efficient back office operations including confirmation, netting, payment and settlement; and
- mitigate risk in foreign exchange transactions from the point of execution to settlement.

The foreign exchange committees in Hong Kong, London, New York, Singapore and Tokyo each produce and maintain their own codes. The Australian Foreign Exchange Committee and the ECB Foreign Exchange Contact Group, for example, along with a number of other regions use the ACI Model Code. For further information on any of the regional codes of best market practice and more specifics on the complete guidance provided by each individual code, please see the links below:

ACI - The Financial Markets Association  
*ACI Model Code*

Hong Kong Treasury Markets Association  
*Code of Conduct and Practice*

London Foreign Exchange Joint Standing Committee  
*The Non-Investment Products Code*

New York Foreign Exchange Committee  
*Guidelines for Foreign Exchange Trading Activities*  
*Management of Operational Risk in Foreign Exchange*

Singapore Foreign Exchange Market Committee  
*The Singapore Guide to Conduct and Market Practices for Treasury Activities*

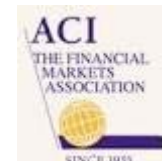
Tokyo Foreign Exchange Committee  
*Tokyo Code of Conduct*

### New Global Preamble (March 2015)

- Published after meeting of Global Foreign Exchange committees
- Amended to take into account FXBG report
- Broader definition of FX market participants
- Emphasis to incorporate “the Guidance” of the Codes into internal codes
- Focus on training of personnel and responsibility of management
- First bullet (“*develop and promote a strong culture of ethical behaviour and standards of conduct*”) expanded into three sub-section:
  - *Personal conduct*
  - *Confidentiality and market conduct*
  - *Policies for execution practices*
- Document provides a harmonised, global view on high-level principles but does not replace individual Codes

## Towards a Single Code

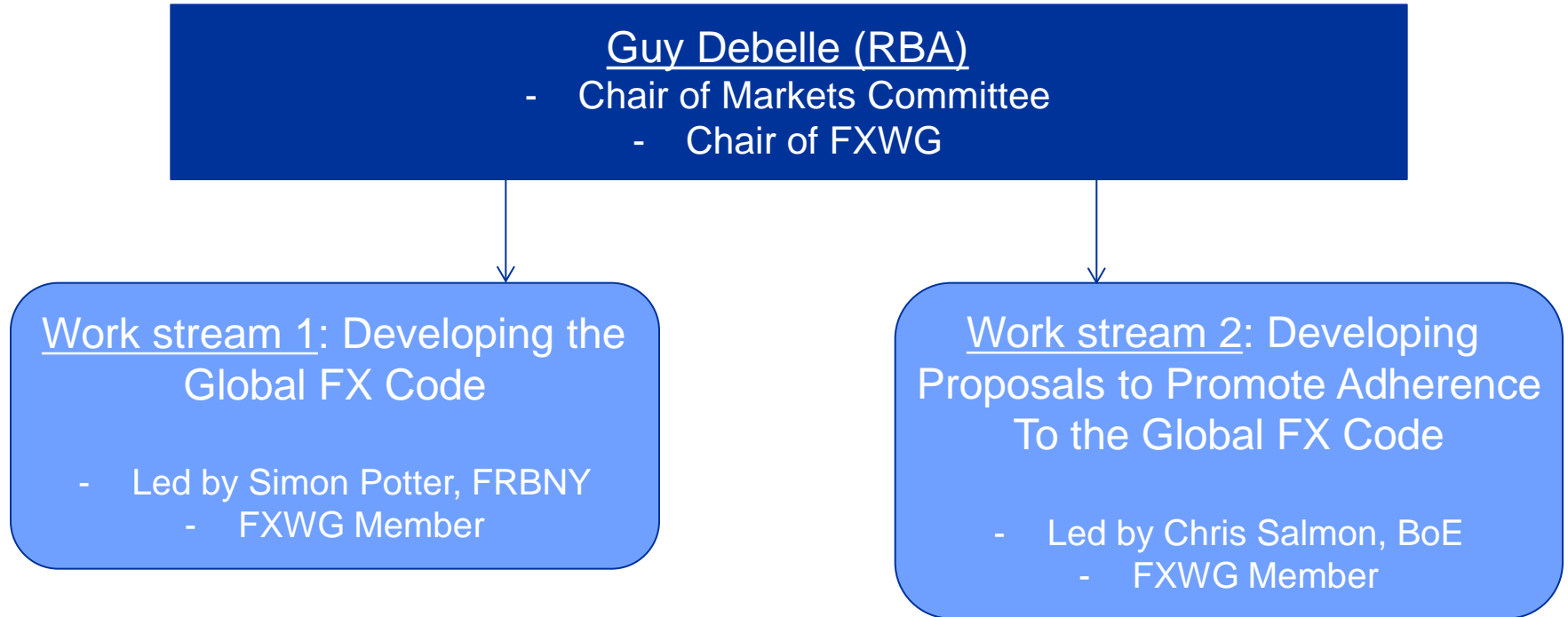
- Five FX Committees have developed their own regional codes, two are using the ACI Model Code (ECB FXCG and Australian FXC)
- Global FXC Meeting in March 2015: further work on harmonisation and adherence
- Economic Consultative Committee (ECC) statement on 11 May 2015:
  - BIS Governors welcome initiatives to strengthen codes of conduct
  - BIS Governors agreed to set up a working group “with a view to facilitating the establishment of a single code of conduct standards and principles”
  - FX Working Group (FXWG) under BIS Markets Committee (21 Central Banks)



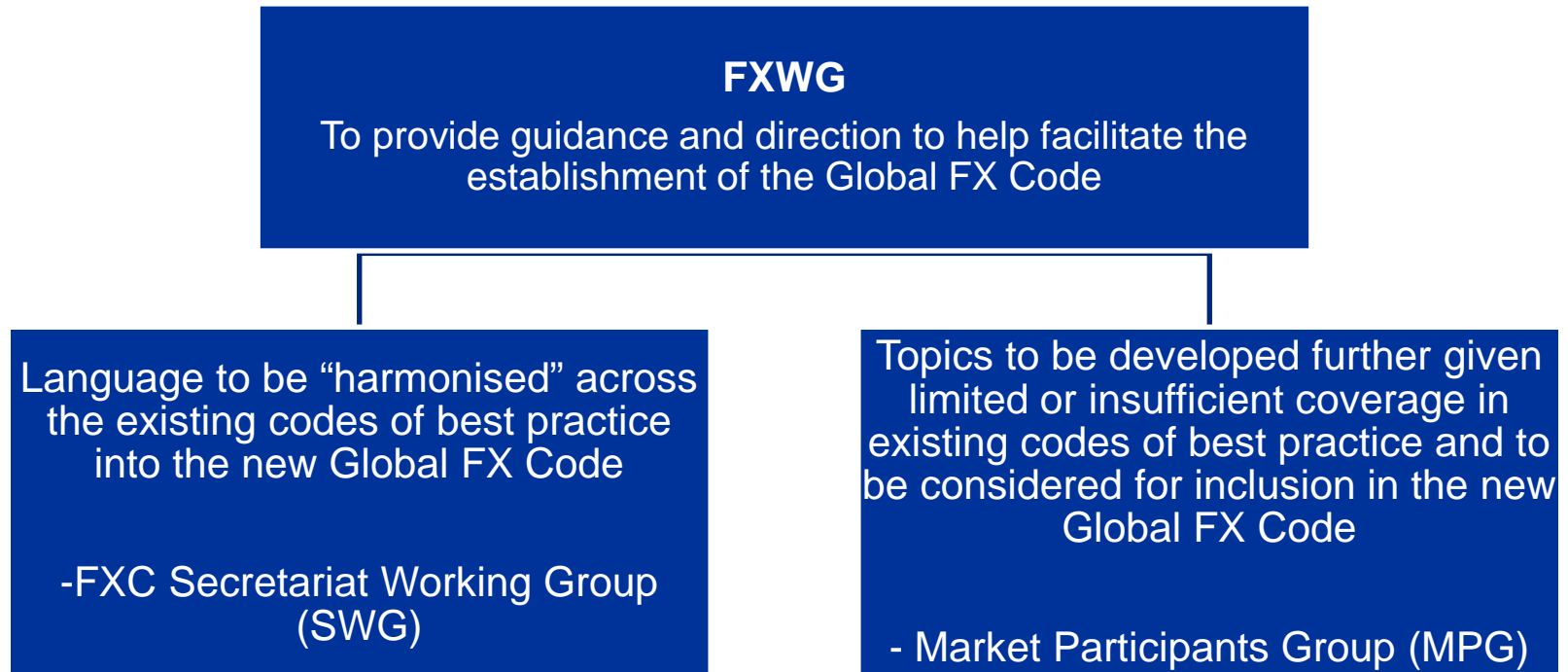
BANK FOR INTERNATIONAL SETTLEMENTS



## FXWG and Work Stream 1 & 2



## Developing the Global FX Code: Two Tracks



The resulting Global FX Code will be adopted and endorsed by the various central bank-sponsored foreign exchange committees and in other regions as applicable.

## Developing the Global FX Code: A Road Map

