



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Developing a Single Code

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12 November 2015  
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- 1. Global FXC**
- 2. FX Working Group (FXWG)**
- 3. Single Code (Workstream 1)**
- 4. Adherence (Workstream 2)**

# 1-Global FXC

## 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



# 1-Global FXC

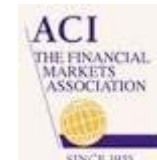
## Global Preamble (March 2015)

- Expand on first Preamble published in 2013
- Amended to take into account FXBG report
- Broader definition of FX market participants
- 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

# 2-FX Working Group

## Towards a Single Code

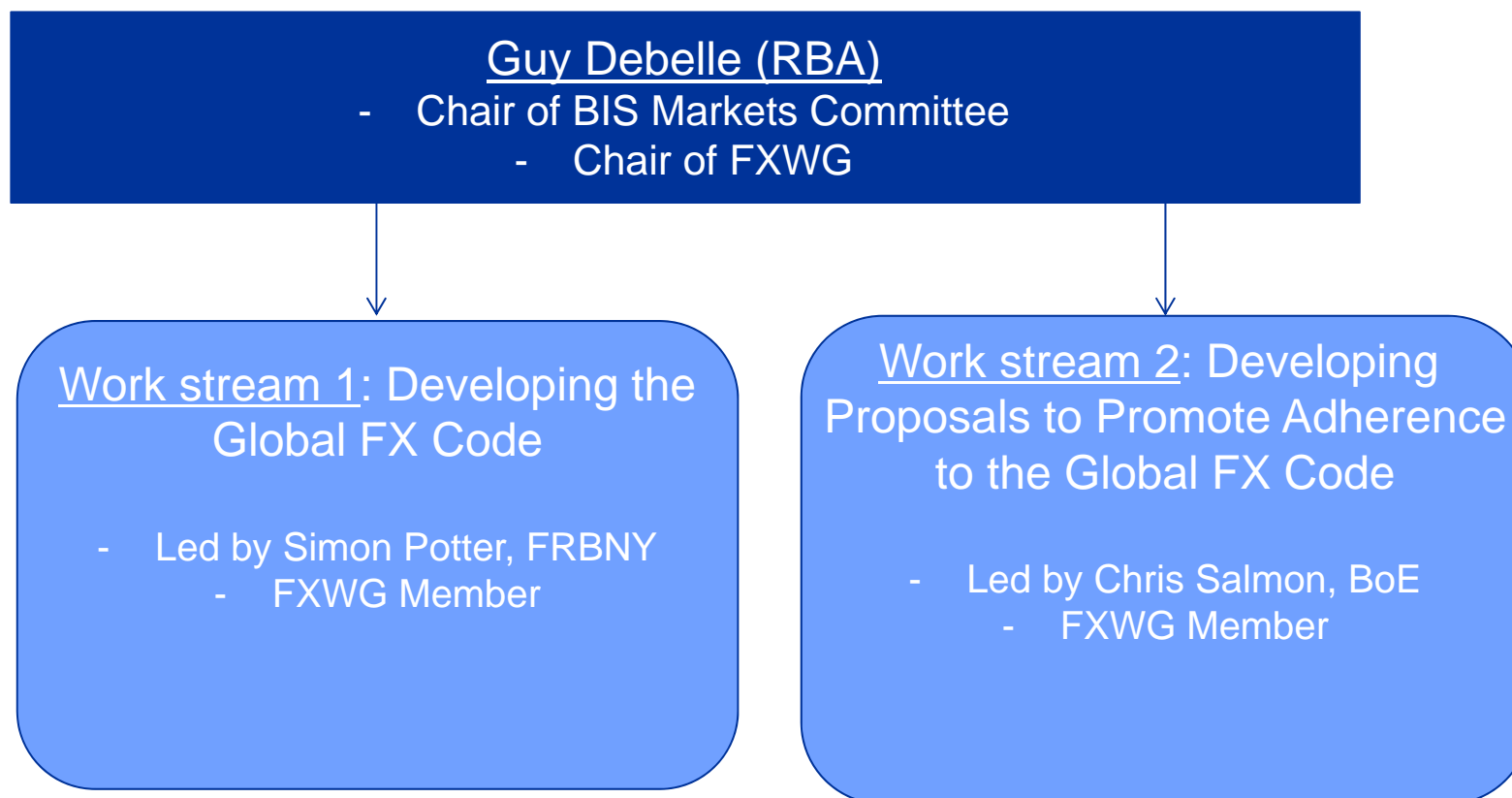
- Five FX Committees have developed their own regional codes, two are using the ACI Model Code (ECB FXCG and Australian FXC)
- Global FXC Meeting in March 2015: further work on harmonisation and adherence
- Economic Consultative Committee (ECC) statement on 11 May 2015:
  - BIS Governors welcome initiatives 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

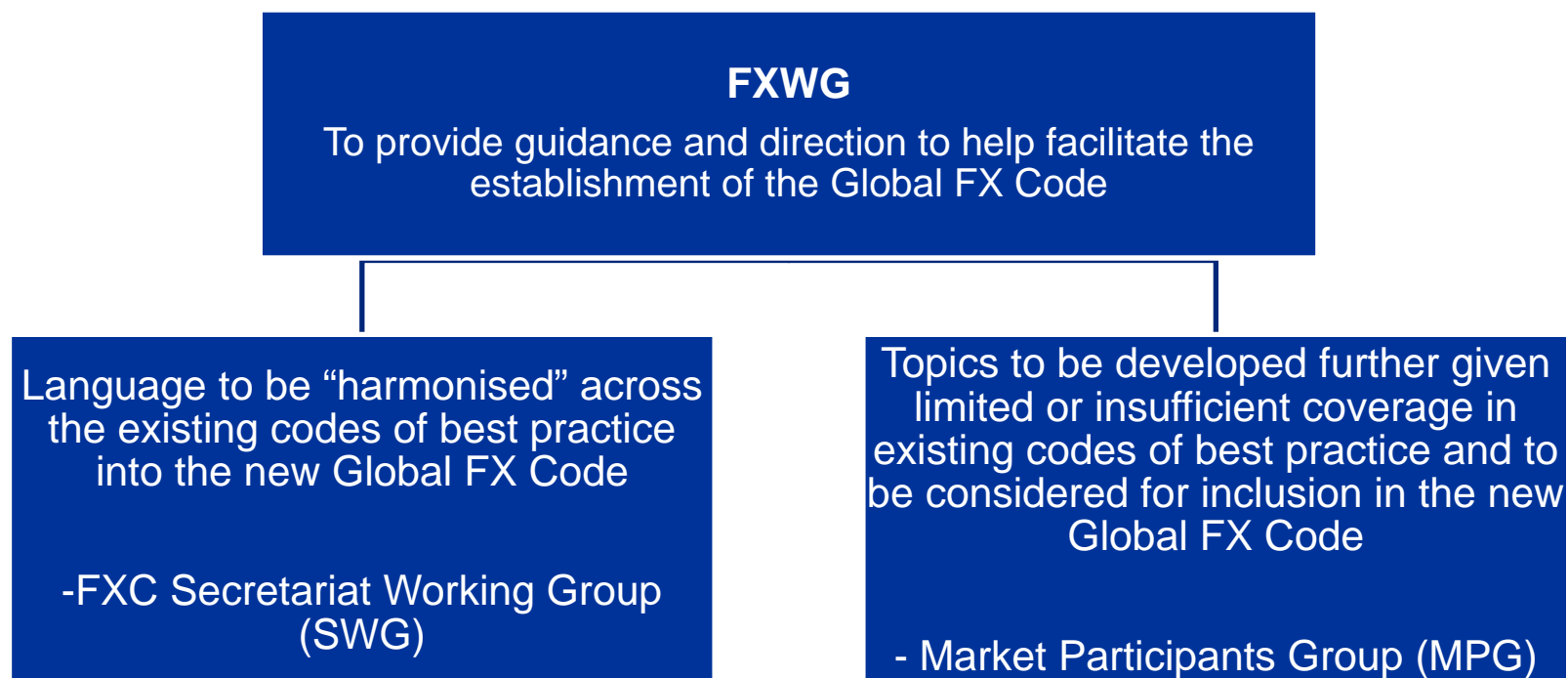
# 2-FX Working Group

## FXWG and Work Stream 1 & 2



## 3-Single Code (Workstream 1)

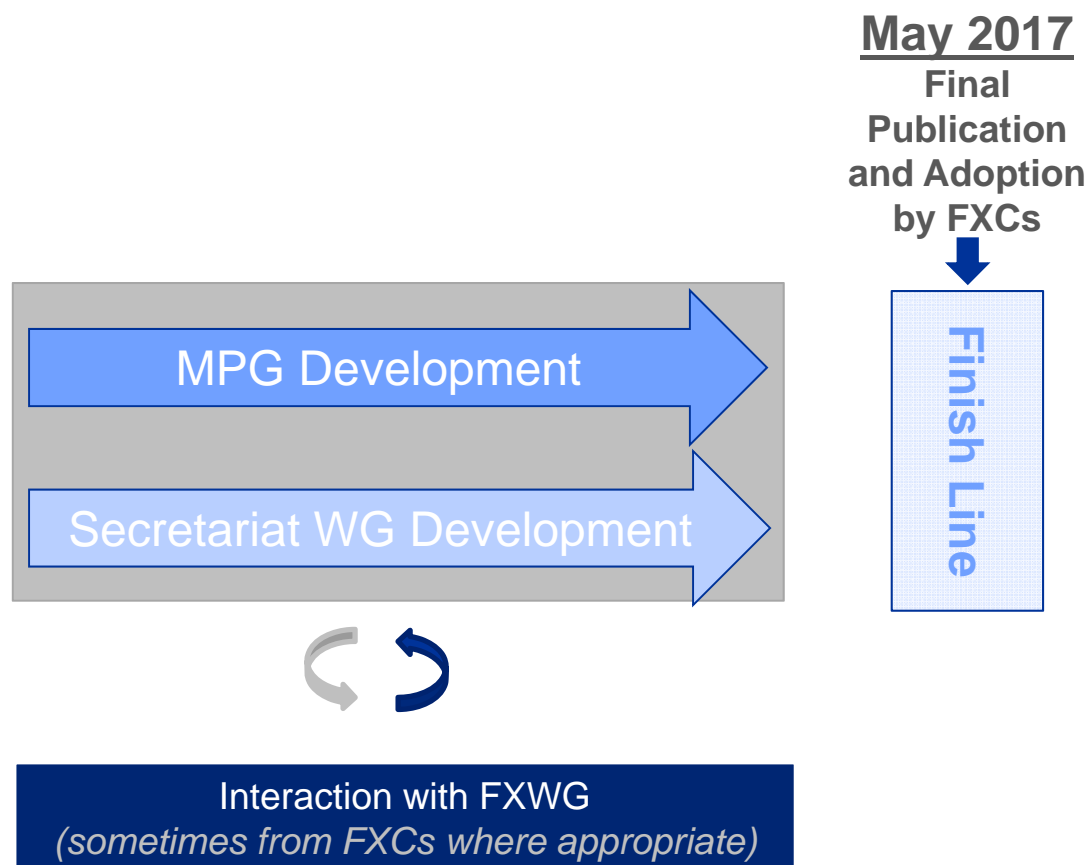
### Developing the Global FX Code: Two Tracks



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.

# 3-Single Code (Workstream 1)

## Developing the Global FX Code: A Road Map





## 3-Single Code (Workstream 1)

### Secretariat Working Group (SWG) Progress Update

1. Outline
2. Engagement with MPG
3. Estimated Length of Code
  - Content
  - Level of Detail
4. Work on sample language

# 3-Single Code (Workstream 1)

## Outline

### 1. Ethics

- Personal Integrity
- Market Conduct

### 2. Governance

- Comprehensive Policies and Procedures
- Control Framework (incl. compliance)
- Framework around staff culture and incentives
- Framework for ensuring Staff and Management knowledge
- Robust Framework for Management of Technologies
- Clear On-Boarding Processes
- Transparent of management of Client relationships
- Contingency Procedures
- Specific Issues for Electronic Trading

# 3-Single Code (Workstream 1)

## Outline (cont.)

### 3. Execution

- Front Office Roles and Mandate (MPG)
- Order Handling (MPG)
- Electronic Trading and Venues (MPG)
- Relationships between brokers and dealers (MPG)
- Relationships between Counterparties and dispute resolution (MPG)
- Prime Brokerage

### 4. Risk Management and Compliance

- Risk Management Framework
- Risk Audit Framework
- Compliance Framework
- Type of risks: operational, settlement, credit, market
- Broad Risk Mitigation Steps

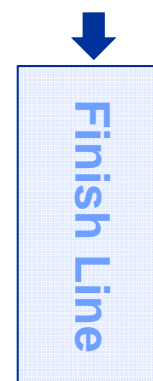
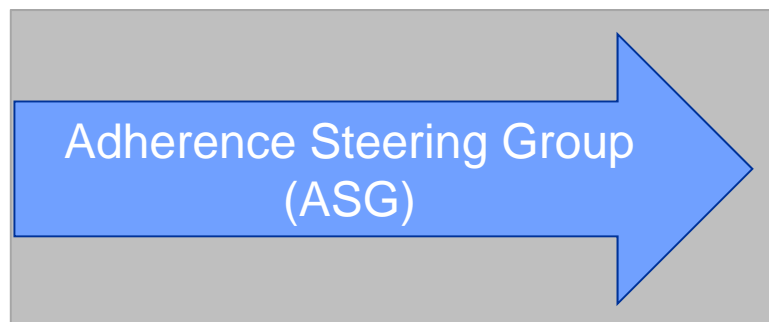
### 5. Post Trade Processes

### 6. Annex: Illustrative examples

# 4-Adherence (Workstream 2)

## Adherence: A Road Map

**May 2017**  
Final  
Proposals



Interaction with MPG and FXWG  
*(sometimes from FXCs where appropriate)*

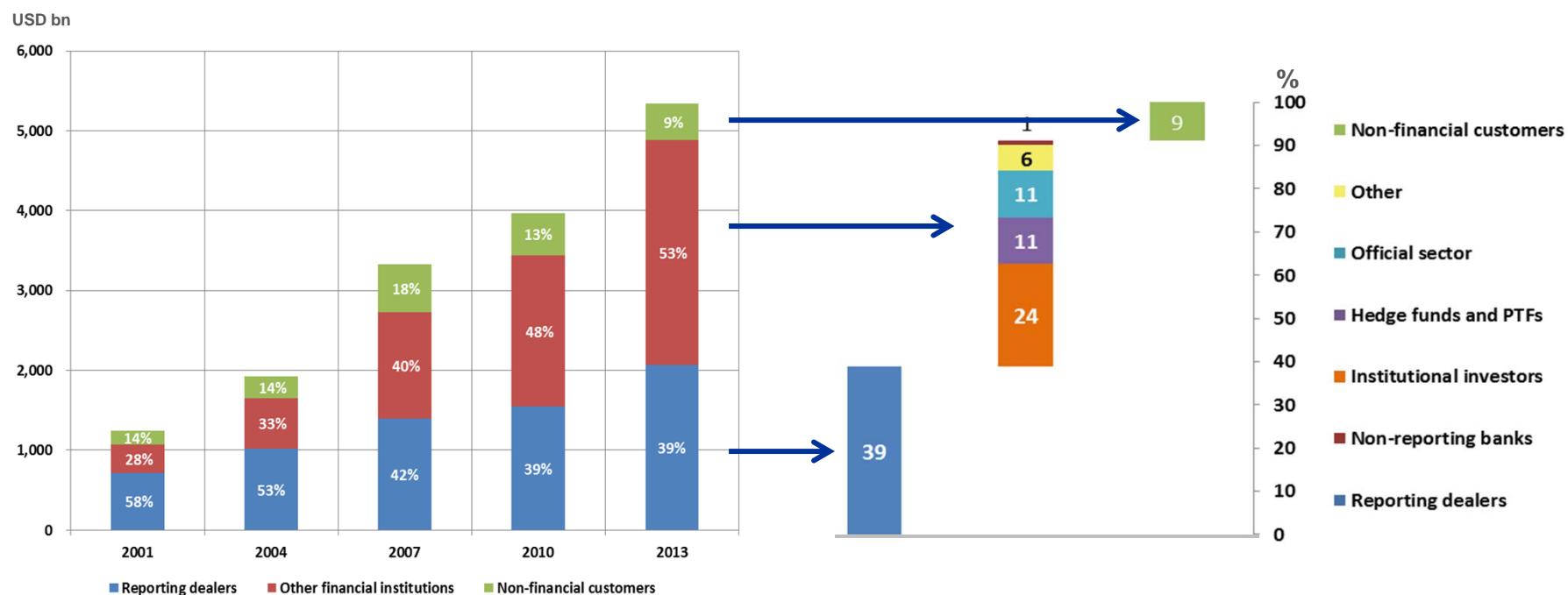
## 4-Adherence (Workstream 2)

### ASG Progress Update

1. Guiding principles
2. Groups on
  1. Monitoring Adherence
  2. Demonstrating Adherence
  3. Creating Incentives
3. Global FX landscape survey
  1. Market Participants
  2. Regulatory landscape
  3. Existing Codes and adherence mechanisms

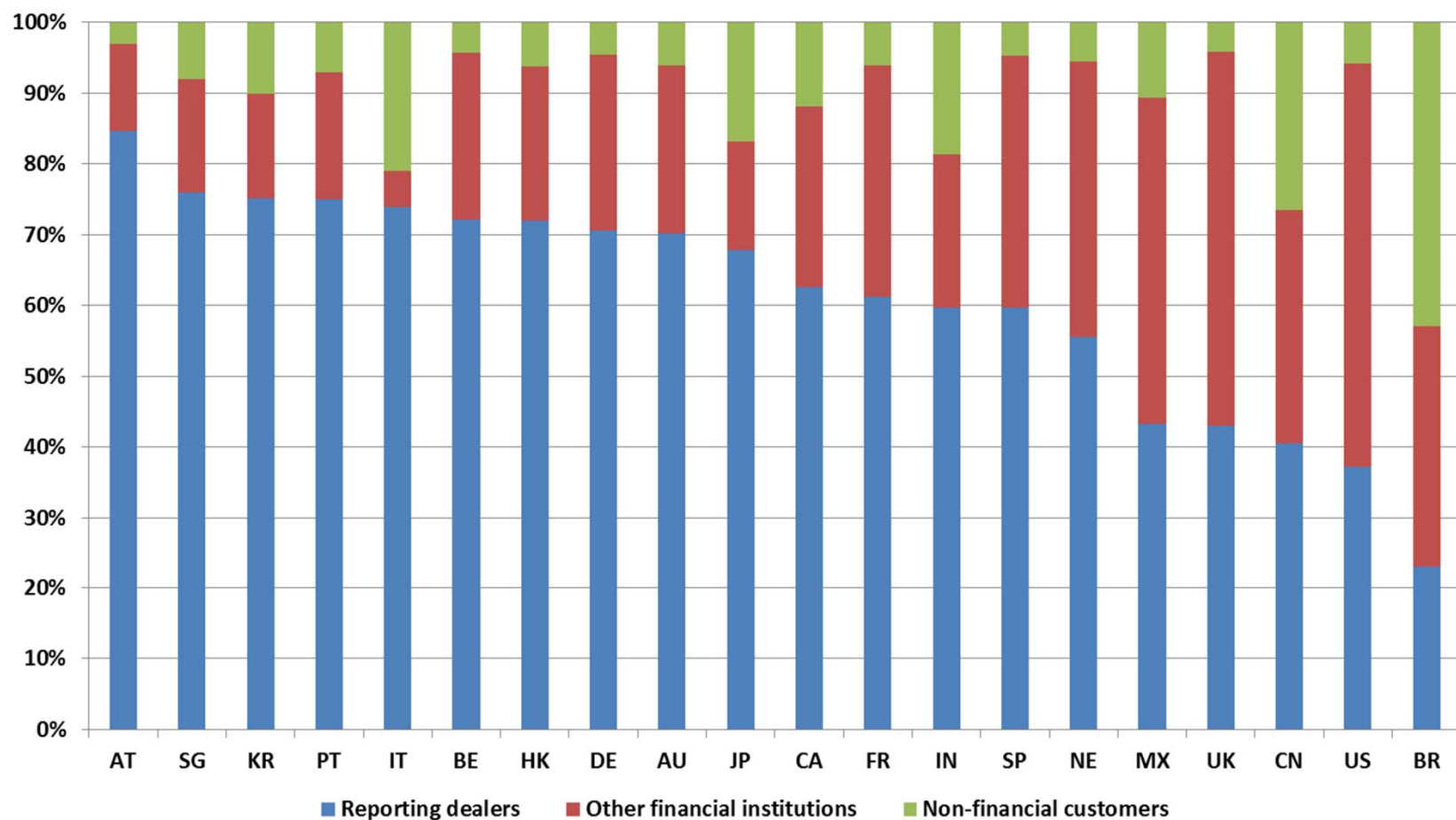
## 4-Adherence (Worksteam 2)


Global foreign exchange turnover's leadership overtaken by 'other financial institutions'



## 4-Adherence (Workstream 2)

But there are major regional differences





*“I think banks will have absolutely no choice but to implement the codes.”*

David Puth, Chairman of the FXWG MPG

*ACI New York, October 27*