



The ACI FMA Today
Ethical Behaviour in the Financial Markets
Moving From Industry to Profession, and
Supporting BIS Single Code Production and
Adherence



Conduct Risk

There But For the Grace of God Go I...

WHAT Institutions Need

- **Visibility** to clients and shareholders that they are embedding behavioural improvements
- A Code recognised and **endorsed by regulators and central banks** around the world
- **To demonstrate support, leadership and proactive approach** to public domain and regulators
- **Public Relations benefits** with shareholders and clients
- Significant measurable, achievable and timely significant **increase in market participants' awareness**
- A global code that **can sit alongside and reinforce any code of conduct**
- A solution to mitigate operational risk under Basle III

Wall Street Journal Reports...

- A [report](#) (17 May 2015) on financial professionals' views of their industry paints a troubling picture. Rather than indicating that Wall Street has cleaned itself up, it suggests that many of the lessons of the crisis still haven't been learned. And the mind-boggling settlement numbers, as well as stringent new rules, like the of Dodd-Frank regulatory overhaul in 2010, appear to have had little deterrent effect.
- In the study, about a third of the people who said they made more than \$500,000 annually contend that they "have witnessed or have first-hand knowledge of wrongdoing in the workplace."
- Just as bad: "Nearly one in five respondents feel financial service professionals must sometimes engage in unethical or illegal activity to be successful in the current financial environment."
- One in 10 said they had directly felt pressure "to compromise ethical standards or violate the law."
- And nearly half of the high-income earners say law enforcement and regulatory authorities in their country are ineffective "in detecting, investigating and prosecuting securities violations."
- Does your company differ in its risk profile? What might be done to ensure your risks are minimized?

- Seeks answers to recommendations 6 – 13 from FSB September 2014 Report
 - Netting and execution
 - Pricing for fixing transactions (risk reward)
 - Establish and enforce internal guidelines for separate fixing processes
 - Controls on sharing info amongst market-makers
 - Controls on privacy of info, including around the fix
 - Establish and enforcement of controls on conflicts of interest from client flows
- Steps taken to adopt codes of conduct that describe best practices for trading foreign exchange, including detailing more precisely and explicitly the extent to which information sharing between market-makers is or is not allowed, and, where appropriate, that incorporate specific provisions on the execution of foreign exchange transactions including fixing orders; and
- Steps taken by market participants to more strongly demonstrate compliance with the codes of the various foreign exchange committees, as well as participants' internal codes of conduct

What Does the ELAC Portal do for me?

- ✓ Provides a high value, market standard training portal on FICC-related conduct issues, at comparatively low-cost (both versus alternative forms, and versus regulatory fines/investigations), conserving energy, time and financial resources by reducing expenditures on consultants and lawyers
- ✓ Enables continuous education to wholesale markets staff, fulfilling their interests and requirements
- ✓ Matches the in-house training with the training provided externally (reducing risk of inadequate coverage), and supporting existing in-house codes, policies and compliance/ethics training
- ✓ Drives individual understanding of globally accepted practice with respect to ethical issues in the market
- ✓ Increases credibility of your front office and back office staff in the eyes of your leaders, colleagues, clients, regulators, board of directors, the media and the public
- ✓ Provides ownership of responsibility for conduct at individual level and as part of the first line of defence supported by globally accepted exams, and assurance at the second and third lines of defence
- ✓ Gives opportunity for strong contribution to the improvement within the industry on various matters, with the ability to strongly influence the future direction of the industry
- ✓ Reduces potential Pillar II Capital requirement, and facilitates BIS Single Code Framework
- ✓ Covers important aspects of the FCA, FSB and potentially FEMR requirements

ACI – The Financial Markets Association

We are the Association of Choice for
Wholesale Financial Markets Participants



Ethical Conduct

Gain institutional or career value from the ACI Model Code

The ACI Model Code encapsulates the best possible practice of Code of Conduct in the financial markets industry -- including the latest market developments, best practice and technical advice for practitioners



Education

Learn more about our Education Services and Certification

ACI qualifications act as a licence to deal in many countries, providing evidence to interested parties of importance placed on highest standards of practice and ethical conduct.



ACI Members

Join a worldwide professional and multi-faceted expert team

ACI members are proud to represent individual responsibility and to connect with people from around the world who also want to be informed and follow the best possible practice in our industry.

New in The Model Code January 2015

- Insider Dealing
- Market manipulation
- Aggregation (entirely new)
- Dealing at non-current rates
- Rate Setting
- Prime Brokerage (re-write)
- Compliance & Complaints
- e-trading (substantial changes in some sections)
- HFT (entirely new)
- Costs & Charges
- FX Dark Pools (entirely new)

Welcome to ELAC

The ACI Financial Markets Association's eLearning and Certification Portal

ELAC will launch May 2015 with 60 best practices



City of London 'black book' is called for to track 'bad apple' traders | Fair & Effective Markets Review Consultation Paper ACI | Industry Supports FSB's Proposals for Fixing the Fix... | Financial Stability Board guidance is positive

Ethical Behaviour in the Financial Markets Industry - Moving "From Industry to Profession"

ELAC- a true state of the art continuous learning portal that helps market professionals to stay up-to-date with the latest ethical behaviours

The screenshot displays the ELAC platform interface. At the top left is the ELAC logo. The navigation menu includes 'Best practices', 'The Model Code', 'Self assessment', and 'Create case'. The user profile section shows 'Welcome Mirjam' with a dropdown arrow and a score of 'Par 2.223' with a '70%' progress indicator. Below this is a carousel of case cards. The first card is titled 'The Front office' with the subtitle 'Manipulating or controlling fixes' and a score of '0 / 50 points'. The second card is 'The Middle office' with '50 / 50 points'. The third card is 'The Front office' with '50' points. The fourth card is 'The Middle office' with '50' points. A 'SHOW ALL CASES' link is located below the carousel.

ELAC is continuously updated with new best practice cases presented to the ELAC subscribers

Manipulating or controlling fixes

Status
Started

Last update
16 April 2015

Industry sector
Exchange / CC

Rating
☆☆☆☆☆
[PLACE REVIEW](#)

3
POINTS

MARKET PRACTICE - 1 POINT

Manipulating or controlling fixes

At 1pm Michael a Trader at Eurobank accepts a large order from a client to buy GBP at the 1:15pm fix price. Michael accumulates directionally similar orders from other market participants. This is done in order to build Michael's position and increase Michael's ability to influence the 1:15pm fix price.

Michael uses the accumulated a position to trade during the 1:15pm fix window in a manner designed to influence the price fixed.

+ [Code quick ref.](#)

A brand new case is now available
[Learn more](#)

Code news

[Maintain your Personal Accreditation Rating](#)

[Maintain your Personal Accreditation Rating](#)

MARKET CODES - 1 POINT

Is Michael acting in compliance with the ACI FMA Model Code?



Is Michael acting in compliance with the ACI FMA Model Code?



It might be hard to give a clear cut answer. Based on this directly clear if he is acting in compliance with the model

In [article 27.2](#) Treatment of FX Benchmark Orders and [article 42.2](#) Artificial market and market manipulation best practice

Continue

27.2 Treatment of FX Benchmark orders

- Dealers should not, whether by collusion or otherwise inappropriate sharing of information, influence the exchange rate.
- Dealers should not intentionally influence benchmark 'fixings' in an attempt to benefit from the fixing, whether directly or in respect of any Customer related flows at the underlying fixing.
- Dealers and sales persons should inform Customers in advance about external factors that could affect the benchmark rate, for example, macro data, illiquid market conditions and any other relevant event.

Next

30 | Market Manipulation

The screenshot displays the ELAC website interface. At the top, there is a navigation bar with the ELAC logo and menu items: 'Best practices', 'The Model Code', 'Self assessment', and 'Create case'. The user is identified as 'Mirjam' with a profile picture. A 'Par' score of 2.248 and a 75% progress indicator are shown.

Below the navigation, there is a section for 'All cases' with a dropdown menu showing '12'. A list of cases is displayed as cards:

- The Front office**: Manipulating or controlling fixes, 25 / 50 points. (25 points available)
- The Middle office**: 50 / 50 points. (50 points available)
- The Front office**: 50 points available.
- The Middle**: 50 points available.

A 'SHOW ALL CASES' link is located below the case cards.

On the right side, a 'My PAR' summary card is visible, showing:

- SCORE**: 2.248
- STATUS**: GOLD (with a gold medal icon)
- 75%** progress bar
- TIME SPEND**: 00:02:45

Earn Professional Accreditation Rating (PAR) by completing best practice cases and self-assessment.

Manipulating or controlling fixes



The Model Code

LAST UPDATED ON 14.02.2015



Supplem. Materials

III. The Front Office

Chapter 4: Dealers, Sales and the Dealing Room

27.2 Treatment of FX Benchmark Orders

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Previous Next

9 | Misinformation and Rumours

GO TO TOP



Code news

Maintain your Personal Accreditation Rating

5 New Best Practices in your profile

Easy access to The Model Code, with update alerts and quick links to best practice cases



The Model Code

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- 📦 2
- 🔖

LAST UPDATED ON 14.02.2015

Search

Manipulating |

Manipulating or controlling fixes

Controlling fixes manipulating

Vestibulum dolor at accumsan

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Code news

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[5 New Best Practices in your profile](#)



Self assessment

Business Hours 0 / 50 points	Company Wide Issues 0 / 50 points	Front Office 25 / 50 points	Middle Office 0 / 50 points	Back Office 0 / 50 points	Technology & Security 0 / 50 points
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25 POINTS

16

III. The Front Office

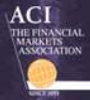
SELF ASSESSMENT QUESTION - 1 POINT

I am a dealer and my broker fails to conclude a transaction at the quoted price. I have to accept a lesser quote to neutralise my risk. What should I do?

- A1 "stuff" the broker and insist on a replacement name at the original price
- A2 accept a bank transfer compensation payment in favour of the bank or adjustment to brokerage bills



Self-assessment tests to verify the knowledge level of the user



Create case

Case Context

Select Industry Area

You can select one industry area on which the case applies.

- FX
- Fixed Income
- MM
- Treasurv / ALM
- / CCP
- s
- agement - Hedge Funds

Which office is involved?

Select one of the options.

- Front Office
- Middle Office
- Back Office
- General / Company wide

Is electronic trading involved?

Nam tincidunt quam eu augue euismod porttitor. Curabitur tincidunt exat.

Propose new cases or review and contribute to existing cases

ACI

THE FINANCIAL
MARKETS
ASSOCIATION



SINCE 1955

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