



EUROPEAN CENTRAL BANK

EUROSYSTEM

FX Global Code & Adherence

May 2017

A) Development of the FX Global Code

- Background & Motivation
- Structure
- Timeline & Where do we stand
- Coverage

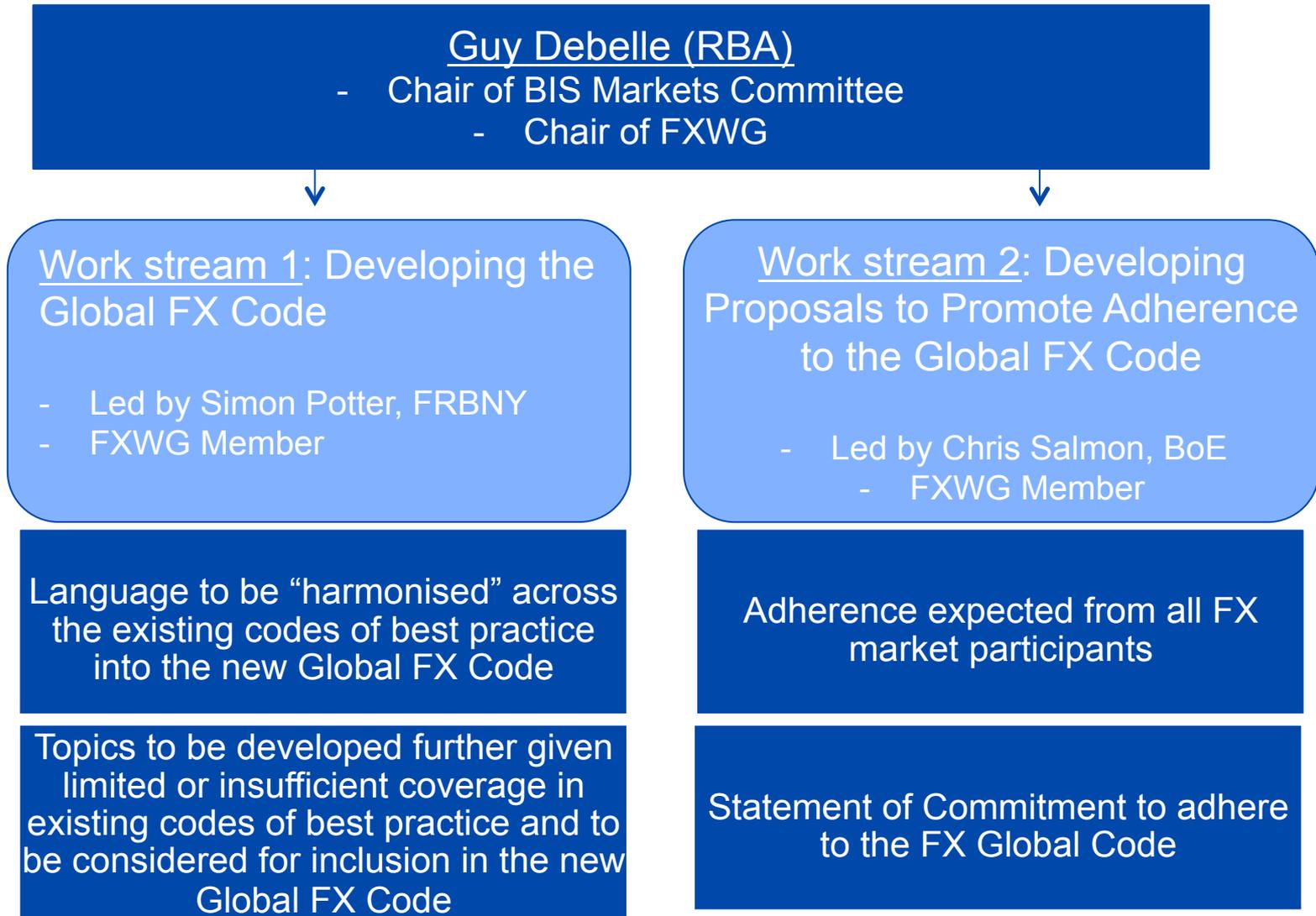
B) Adherence to the FX Global Code

- Guiding Principles
- Structure
- Statement of commitment
- Role of associations

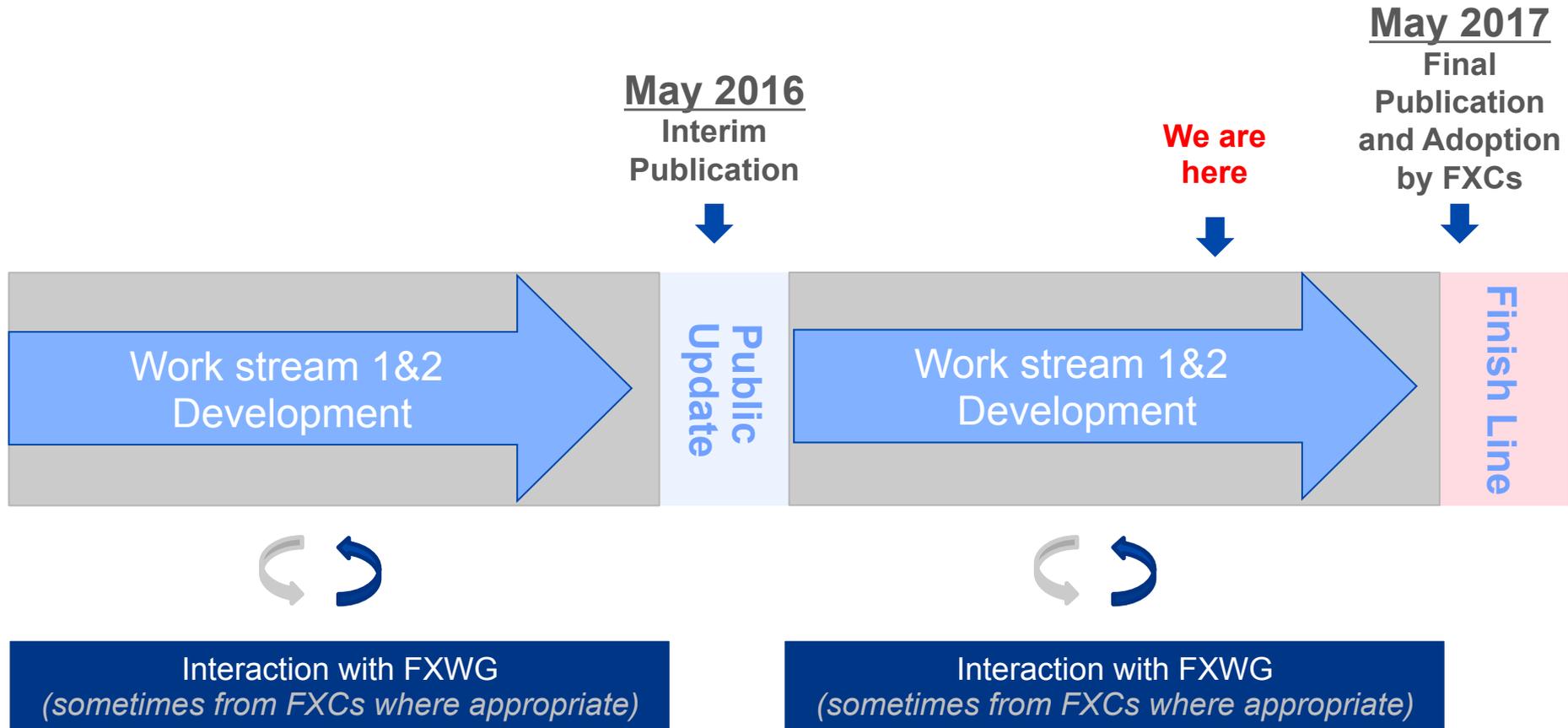
A well-functioning foreign exchange market is very much in the interest of all market participants

- FX industry has been suffering from a lack of trust in its functioning
- In a globalised world, the FX market is one of the most vital parts of the financial plumbing
- BIS Governors commissioned a working group (FXWG) of the BIS Markets Committee to construct a FX Global Code together with an associated Adherence Framework
- FXWG: members from major financial centres in both advanced and emerging market economies
 - 16 Central Bank Member Institutions
 - Market Participants Group (including banks, buy-side firms, market infrastructures, trading platforms and other non-bank participants)

FXWG and Work Stream 1 & 2



Developing the Global FX Code: A Road Map



FX Global Code outline

The global principles of good practice has been developed to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market.

The Global Code does not impose legal or regulatory obligations on Market Participants nor does it substitute for regulation, but rather it is intended to serve as a supplement to any and all local laws, rules, and regulation by identifying global good practices and processes.

The Global Code is organised around six leading principles with associated Examples

- | | |
|-----------------------------------|------------------------------|
| 1. Ethics | 5. Information Sharing |
| 2. Governance | 6. Post Trade Processes |
| 3. Execution | Annex: Illustrative examples |
| 4. Risk Management and Compliance | |

FX Global Code outline

Ethics	Market Participants are expected to behave in an ethical and professional manner to promote the fairness and integrity of the FX Market.
Governance	Market Participants are expected to have a sound and effective governance framework to provide for clear and comprehensive oversight of their FX Market activity and to promote responsible engagement in the FX Market.
Execution	Market Participants are expected to exercise care when negotiating and executing transactions in order to promote a robust, fair, open, liquid, and appropriately transparent FX Market.
Information Sharing	Market Participants are expected to be clear and accurate in their communications and to protect Confidential Information to promote effective communication that supports a robust, fair, open, liquid and appropriately transparent FX Market.
Risk Management and Compliance	Market Participants are expected to promote and maintain a robust control and compliance environment to effectively identify, manage, and report on the risks associated with their engagement in the FX Market.
Confirmation and Settlement Processes	Market Participants are expected to put in place robust, efficient, transparent, and risk-mitigating post-trade processes to promote the predictable, smooth, and timely settlement of transactions in the FX Market.
Illustrative Examples	The examples provided in the FX Global Code are intended to illustrate the principles and situations in which the principles could apply.

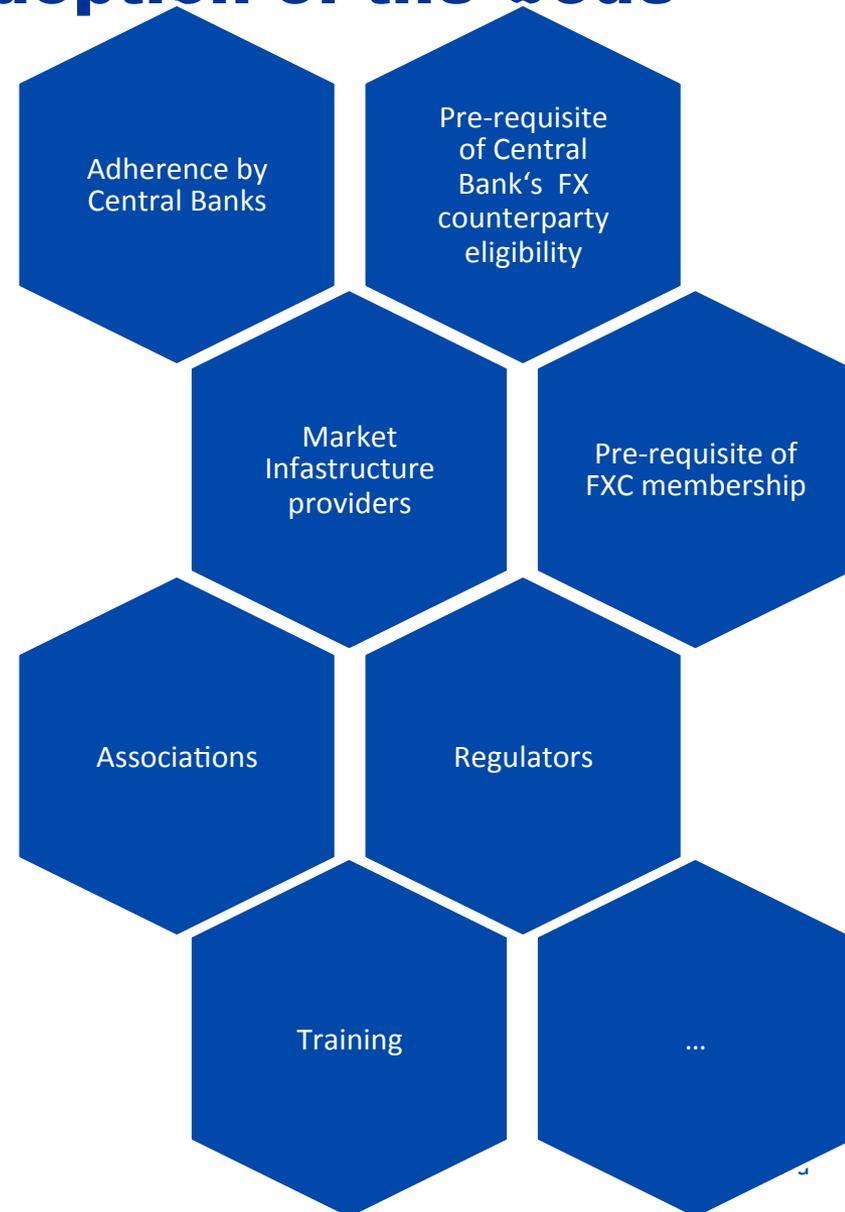
Adherence Guiding Principles

- **Universal:** The Global FX Code will apply to all wholesale foreign exchange market participants, based on the activities they undertake and subject to compliance with any applicable regulations.
- **Proportionate:** How wholesale FX market participants adhere, and demonstrate their adherence, to the Code should be proportionate and appropriate to the type of participant and the context of the local financial markets.
- **Transparent:** The mode of adherence should be transparent, to enable monitoring and market discipline.

How to ensure widespread adoption of the Code by market participants

Approach to adherence has a number of dimensions

- Central bank based mechanisms
- Market based mechanisms
- Close cooperation with regulators



Statement of Commitment will be provided

- A single, high-level , FX Global Code document that Market Participants can sign and publish to demonstrate adherence
- The Statement will be an annex to the main Code
- Will be used for all relevant adherence mechanisms
- Fundamental element of the adherence framework
- Will rely mostly on trust and will have reputational consequences
- Will be about a ‘commitment’ to adhere rather than a ‘statement’ of adherence

Associations are instrumental in promoting the FX Global Code

- A global work is ongoing to reach out to relevant associations
 - Banking
 - Treasury management
 - Financial markets and securities dealers
 - Asset management
 - Others
- Associations can support the work on the FX Global Code in different ways
 1. Support in raising awareness among its members
 2. Welcome the Code by publishing a Statement of Support or an endorsement of the Code
 3. Create and maintain a list of their members that support or have signed a commitment to adhere to the Code
 4. Linking membership to the association to a commitment to adhere to the Code
 5. Provide or support training on the Code