



EUROPEAN CENTRAL BANK

EUROSYSTEM

**Guy-Charles Marhic**  
DG Market Operations  
Bond Markets and International  
Operations Division

# **Global Code of Conduct: update**

**Frankfurt, 22 June 2017**

## **A) FX Global Code**

1. Global Code: content
2. Global FX Committee Governance
3. GFXC Consultation and way forward
4. Support to the Code

## **B) Adherence**

1. Adherence: Central Banks communication
2. Adherence tools

## **A) FX Global Code**

1. Global Code: content
2. Global FX Committee Governance
3. GFXC Consultation and way forward
4. Support to the Code

## **B) Adherence**

1. Adherence: Central Banks communication
2. Adherence tools



*A set of global principles of good practice  
in the foreign exchange market*

# Contents

<b>Foreword</b> .....	1
I. What Is the FX Global Code? .....	1
II. To Whom Does the FX Global Code Apply? .....	3
<b>Ethics</b> .....	7
<b>Governance</b> .....	11
<b>Execution</b> .....	15
<b>Information Sharing</b> .....	27
I. Handling Confidential Information .....	27
II. Communications .....	29
<b>Risk Management and Compliance</b> .....	33
I. Frameworks for Risk Management, Compliance, and Review .....	33
II. Key Risk Types .....	38
<b>Confirmation and Settlement</b> .....	47
I. Overarching Principles .....	47
II. Confirmation Process .....	49
III. Netting and Settlement Processes .....	51
IV. Account Reconciliation Processes .....	54
<b>Annex 1: Illustrative Examples</b> .....	56
Execution .....	57
Information Sharing .....	66
Risk Management and Compliance .....	70
Confirmation and Settlement .....	73
<b>Annex 2: Glossary of Terms</b> .....	75
<b>Annex 3: Statement of Commitment</b> .....	78

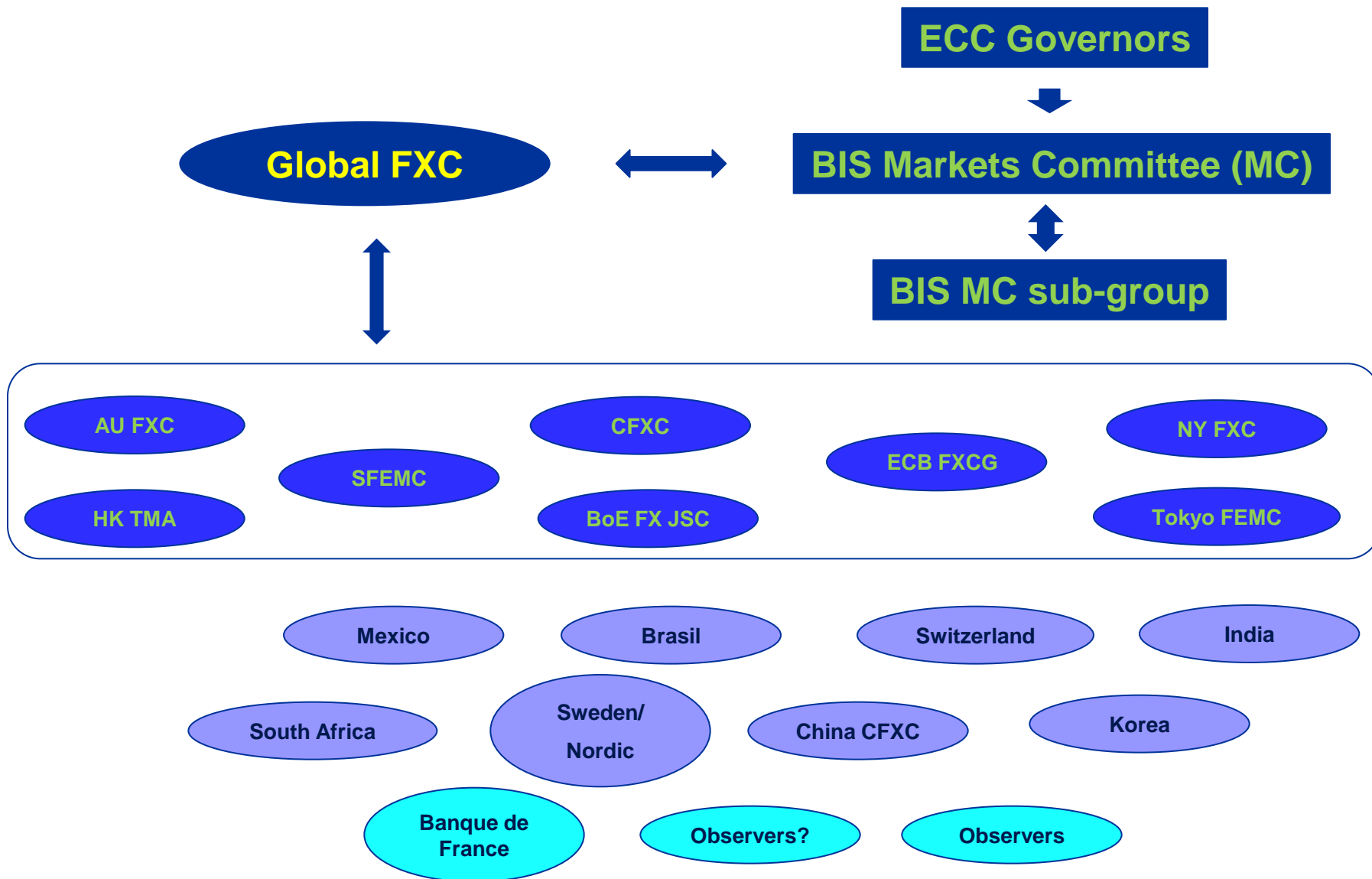
- CONTENTS
- FOREWORD
- ETHICS
- GOVERNANCE
- EXECUTION
- INFORMATION SHARING
- RISK AND COMPLIANCE
- CONFIRMATION AND SETTLEMENT
- ANNEX 1
- ANNEX 2
- ANNEX 3

# Future governance of the Code

## Global Foreign Exchange Committee - endorsed by ECC

- **Formal launch:**
  - with the release of the Code
- **Responsibility:**
  - future governance of the Code
- **Governance:**
  - rotation of GFXC Chair
  - permanent GFXC Secretariat
- **Membership:**
  - FX committees (ECB FXCG for euro area)
    - 1 central bank representative and
    - 1 private market representative
- **Observers**

# 1) GFXC Governance



## 1) GFXC: consultation and way forward

- Request for feedback on Last Look practices
  - Timing: by 21 September 2017
  - Secretariat to collate answers and prepare discussion paper for meeting on 11-12 November
  - GFXC to agree next steps and deliver by end 2017
- Public Register
  - Multiple private registers
  - Global Index of Register
- Code Survey
  - Launch end of September

## 1) Support to the Code

- BIS Global Economic Meeting & ESCB press release
- Asian Central banks (BOK, HKMA, MAS, RBA, RBI) joint press release
- Associations support (ACI, GFMA, EACT...)
- Supervisors, regulators (European Banking Authority, ESMA, UK FCA)
  - **EBA:** *“The Code's guidelines for responsible participation in the FX market are **in line with the EBA's work aimed at fostering financial institutions' effective governance and enhanced consumer protection in all areas of financial products and services.**”*
  - **ESMA:** *“The ultimate objective of supervisory convergence is to ensure that market practices meet the required standards and support the well-known regulatory objectives. However, I do not consider this an exclusive role for regulators. In that context, I should mention that I very much support the recently published Foreign Exchange Global Code of Conduct”* (Steven Maijor, Speech Looking to the Future, 7 June)
  - **FCA:** *“We expect firms, **Senior Managers**, certified individuals and other relevant persons to take responsibility for and be able to demonstrate their own adherence with standards of market conduct. Our supervision of the SMCR rules supports this.”*



## **A) FX Global Code**

1. Global Code: content
2. Global FX Committee Governance
3. GFXC Consultation and way forward
4. Support to the Code

## **B) Adherence**

1. Adherence: Central Banks communication
2. Adherence tools

# **ECC\* and GEM\*\* Governors provided adherence guidance to the Code in May 2017**

- *Central banks are strongly committed to supporting and promoting adherence to the Code. They confirm that they are committed to adhering to the principles of the Code and will **expect the same of their regular FX counterparties**, except where this would inhibit the discharge of their policy functions. Additionally, members of central bank sponsored foreign exchange committees will be expected to adhere to the Code.*

### Rationale

- Receive more fair, transparent and effective execution from counterparties that adhere to the Code
- Reinforce good practices among market participants

\* Economic Consultative Committee

\*\* Global Economy Meeting

# ESCB Central Banks welcome the publication of Foreign Exchange Global Code of Conduct

*The ESCB central banks are strongly committed to supporting and promoting adherence to the Code in their jurisdictions, which together play a key role in the global FX market. To that end, they are committed to adhering to the principles of the Code when acting as FX market participants and likewise **expect their regular FX trading counterparties to adhere to the Code.***

*The ESCB central banks also **encourage FX market participants in their jurisdictions to evolve their practices in such a way that they are consistent with the principles of the Code and to demonstrate their commitment by endorsing the Statement of Commitment annexed to the Code.** The ESCB central banks look forward to witnessing the evolution of practices accordingly.*



EUROPEAN CENTRAL BANK  
EUROSYSTEM

\* Economic Consultative Committee

\*\* Global Economy Meeting

# Adherence Tools

- **Market-based mechanisms**
  - Strong support to the Code by the Market Participants Group and the members intend to adhere to the Code
  - Associations and market infrastructure providers - awareness and support to the Code
  - Public registers
  - Training schemes
- **Central bank led mechanisms**
  - Expectations that central bank FX counterparties adhere to the Code
  - FX Committee membership will be linked to the Code – as such members are expected to commit to adhere to the Code
- **Transition period**
  - Most large Market Participants expect to adopt the Statement of Commitment 6-12 months after the publication of the Code

## 2) Adherence tools

- Single standardised form
- Brief and high level in style
- To be used by all market participants
  - including central banks
  - for FXC membership
- Available as an Annex to the Global Code
- Adjoined Explanatory Note
  - Benefits of adherence
  - Purpose of the Statement
  - Proportionality
  - Transitional arrangements and implementation issues

# Statement of Commitment

## STATEMENT OF COMMITMENT TO THE FX GLOBAL CODE

[Name of institution] ["Institution"] has reviewed the content of the FX Global Code ["Code"] and acknowledges that the Code represents a set of principles generally recognised as good practice in the wholesale foreign exchange market ["FX Market"]. The Institution confirms that it acts as a Market Participant as defined by the Code, and is committed to conducting its FX Market activities ["Activities"] in a manner consistent with the principles of the Code. To this end, the Institution has taken appropriate steps, based on the size and complexity of its Activities, and the nature of its engagement in the FX Market, to align its Activities with the principles of the Code.

[Name of institution]

Date: \_\_\_\_\_

## GLOBAL FOREIGN EXCHANGE COMMITTEE

[About GFXC](#)[FX Global Code](#)[Meetings](#)[Press Releases](#)

The Global Foreign Exchange Committee was established in May 2017 as a forum bringing together central banks and private sector participants with the aim to promote a robust, fair, liquid, open, and appropriately transparent Foreign Exchange (FX) market in which a diverse set of participants, supported by resilient infrastructure, are able to confidently and effectively transact at competitive prices that reflect available information and in a manner that conforms to acceptable standards of behaviour.

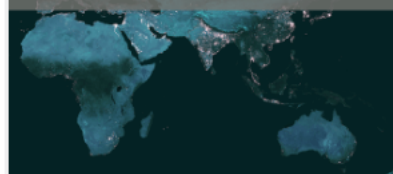
### FX GLOBAL CODE



The FX Global Code is a set of global principles of good practice in the foreign exchange market... [READ MORE](#)

[Download the FX Global Code May 2017](#) PDF

### ADHERENCE TO THE FX GLOBAL CODE



Widespread adoption of the FX Global Code across the diverse and broad spectrum of market participants is vital... [READ MORE](#)

[Download the Public Report on Adherence, May 2017](#) PDF

[Download Statement of Commitment](#)

### REQUEST FOR FEEDBACK ON LAST LOOK PRACTICES



The GFXC is seeking feedback on "last look" practices in the foreign exchange market.

[Download the Request for Feedback](#)

### NEWS



The GFXC was formally launched on May 24, 2017 [Read the Press Release](#)

Global code of conduct sets out good foreign exchange market practice [Read the Press Release](#)

[Press conference audio](#)

[Press conference opening remarks video](#)

**Thank you**  
**for your attention!**