



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Update on Single Code

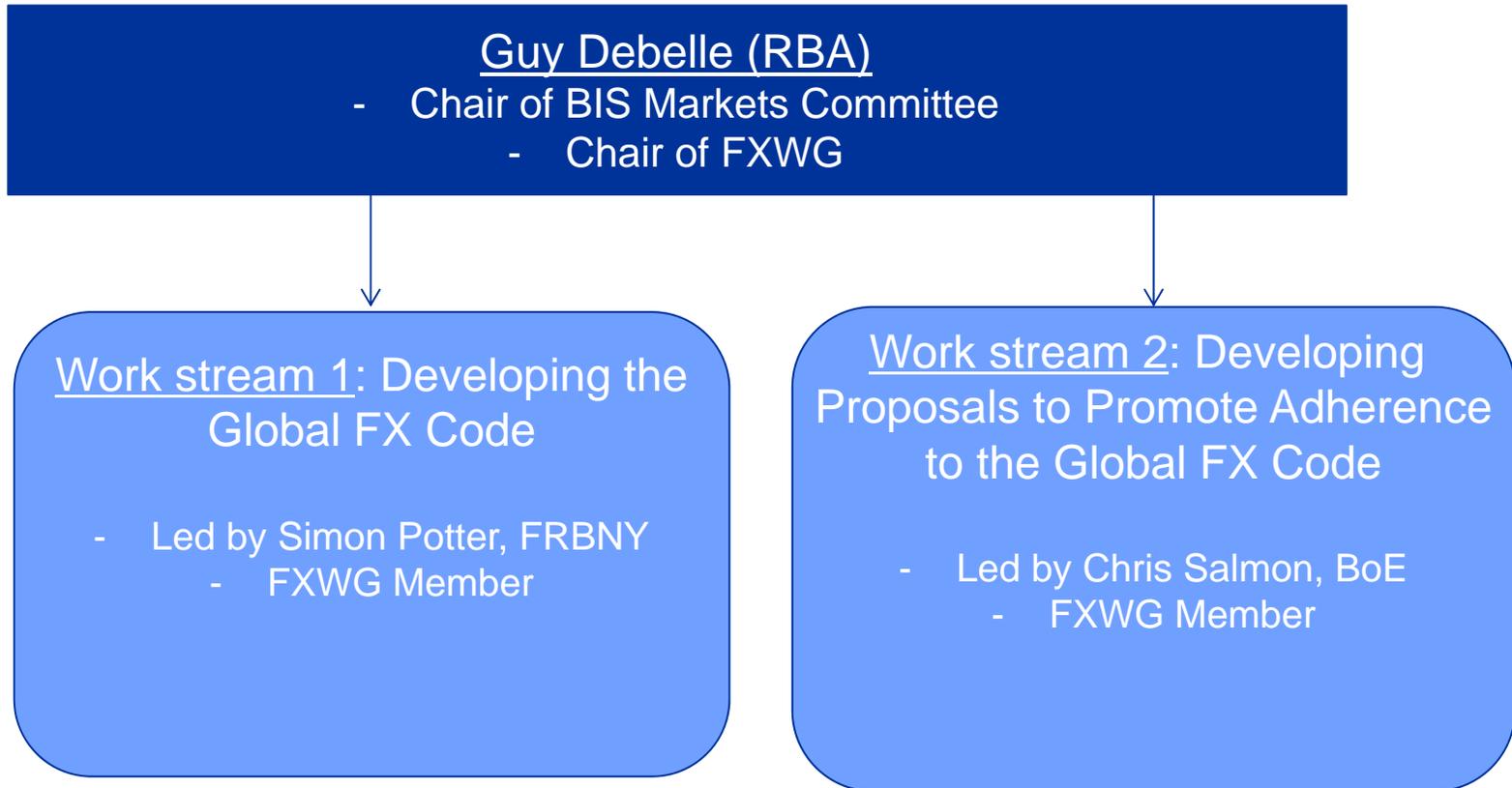
FXCG, 18 February 2016

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

- 1. FX Working Group overview**
- 2. First review**
- 3. Second review**
- 4. Adherence update**

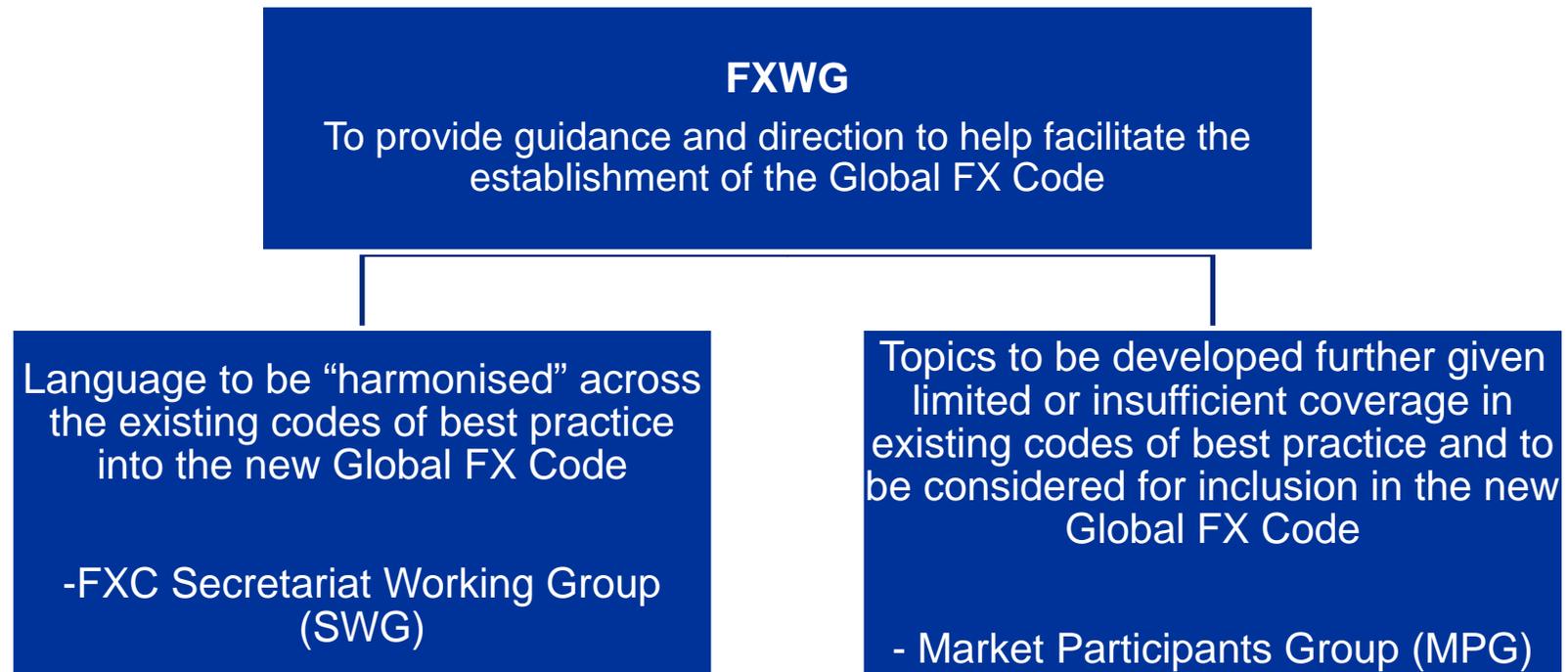
1-FX Working Group overview

FXWG and Work Stream 1 & 2



1-FX Working Group overview

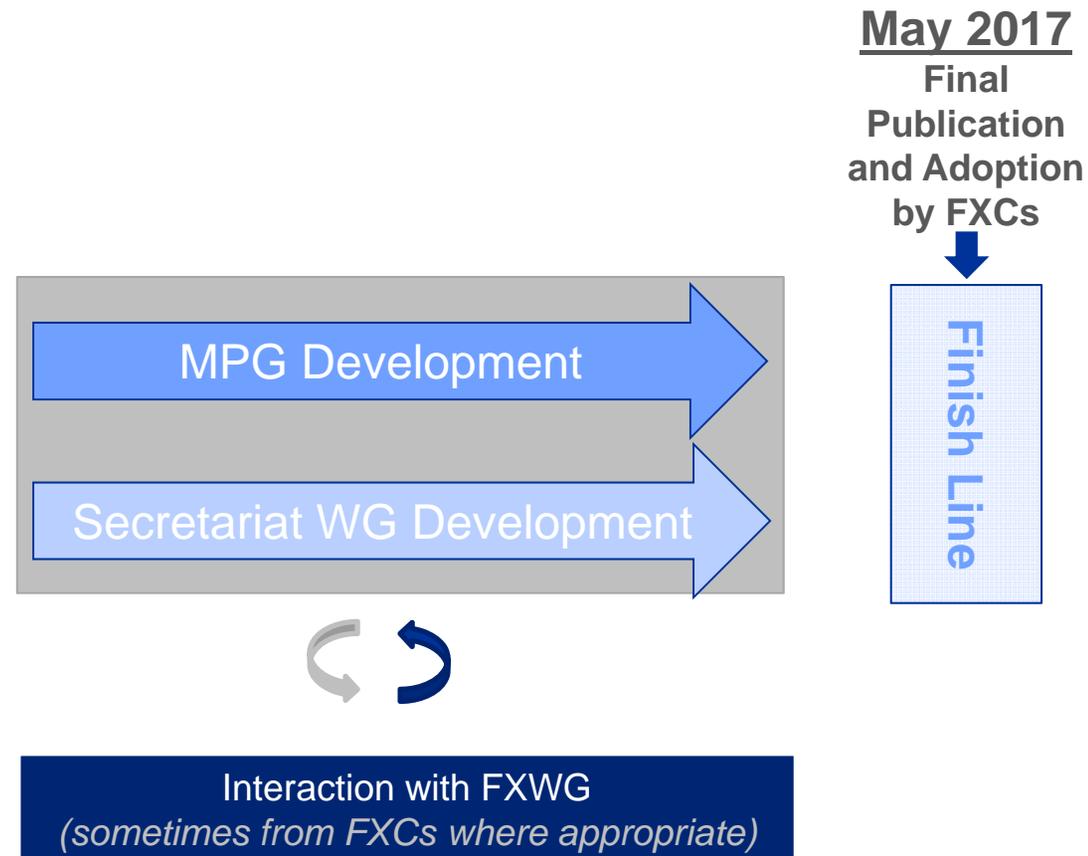
Developing the Global FX Code: Two Tracks



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.

1-FX Working Group overview

Developing the Global FX Code and Adherence : A Road Map



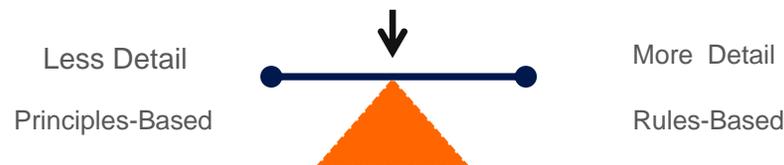
2- First review within FXWG (11-28 December)

- Feedback received from a dozen central banks as well as the MPG
- 700+ individual comments
 - 4% general
 - 55% ethics
 - 32% execution
 - 9% post trade
- Roughly even mix of style comments versus content comments
- FXWG and MPG feedback somewhat consistent, FXWG more focused on brevity

2- First review within FXWG (11-28 December)

Revisiting Style Points

- **Central Guidance when developing the Code** (From September Meeting)
 - The Code should establish principles and, where appropriate, provide examples.
 - The Code should be as succinct and clear as possible.
 - The Code should be organized in such a way to encourage ease of use and adherence by market participants.
- **Targeted level of detail** (From November Meeting)



2- First review within FXWG (11-28 December)

- General comments:
 - Need to harmonize across sections, level of granularity, and tone of language
 - Terms need to be defined and used consistently throughout
 - Need greater representation of the buy-side point of view
 - Acknowledge role of regulation versus Code in introduction
 - Streamline examples
 - Proportionality may need to be taken into account for certain guidance given different footprints and business models by firm

3- Second review (3-12 February 2016)

- Feedbacks received from FXCG, OMCG, ESCB Committee (MOC)

- 211 individual comments
 - 3% introduction
 - 2% ethics
 - 8% info sharing
 - 44% execution
 - 40% confirmation and settlement
 - 3% general

3- Second review within FXWG (3-12 February)

- General comments
 - Less legalistic, clear and succinct language
 - Define further some terms (pre-hedging, mark-ups...)
 - Clarify (principal/agent)
 - Introduce more granularity
 - Reinforce balanced approach for level of detail
 - Move some examples to examples annex, develop examples after principles have been defined
 - Develop appendix for glossary of terms

4- Adherence overview

- Public update in May 2016
- Definition of wholesale market participants
- Tools analysis
- Workshop with academics in January