



EUROPEAN CENTRAL BANK

EUROSYSTEM

Single Code and adherence: an update

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A) Single Code

- Draft 2 Feedback
 1. Overview
 2. Execution
 3. Examples
 4. Governance
 5. RM&C
- Next Steps

B) Adherence

- Statement of Commitment
- Adherence work-stream updates
 1. Market-led mechanisms
 - a) training
 - b) certification
 2. Outreach to Associations and Infrastructures
 3. Central Bank counterparty expectations
 - a) CB own adherence
 - b) CB Counterparty adherence

A) Single Code

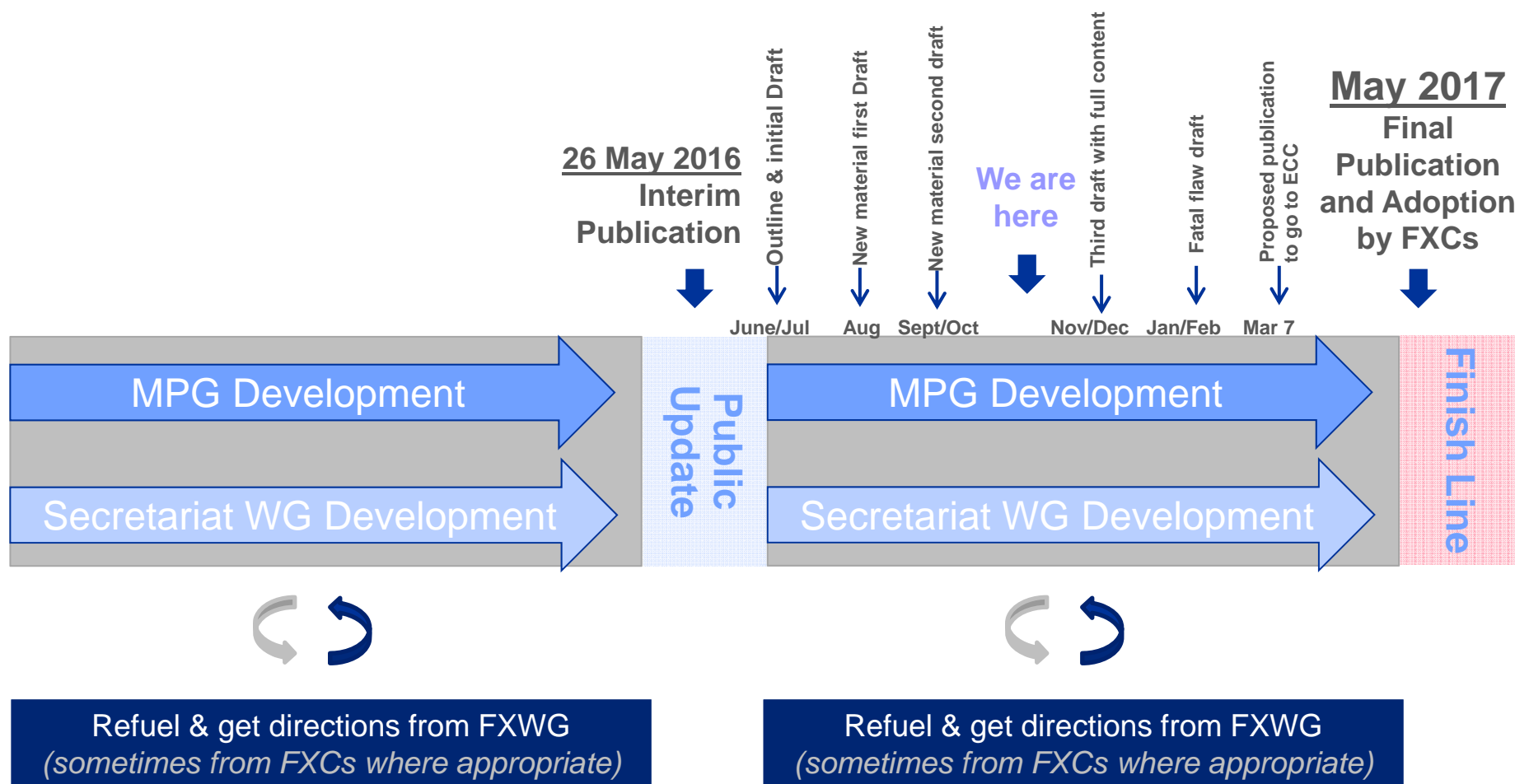
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Timeline

Developing the Global FX Code: A Road Map



- Feedback received from 24+ different channels
- 1900+ individual comments (1450 on phase 1 draft 2)
 - 2% general
 - 2% ethics, 1% info sharing
 - 15% governance
 - 46% execution
 - 16% risk management and compliance
 - 17% examples
- Comments largely focused on content
- Feedback generally consistent across channels

- Proportionality
- Granularity
- Duplication/Overlap

- Ankur and Cédric: key themes and questions
 - Execution E-Trading
 - Prime Brokerage
 - Inter Dealer Broker

3-Examples. Summary of feedback

- Many more comments this round (ca 300), the majority from FXCs and market participants.
- About two thirds are modifications that will clarify and improve the examples.

3-Examples. Key questions

- Examples are the first test of where the FX Global Code meets reality
 - Natural diversity of interpretation of the principles
- Way forward
 - Examples work group re-works text in light of comments
 - Examples work group will meet to review comments
 - Prepare list of new examples and draft (some) Phase 2 examples

4-Ethics & Governance

- Ethics: refine the list of possible measures for managing conflicts of interest
 - Take the comments – including disclosure when cannot manage or eliminate the conflicts
- Governance
 - References to “board” attracted many comments: replace
 - Remove references to other external guidance (BIS, OECD, etc.)
 - Do not include statements that do not provide specific guidance (e.g. “ *tone from the top*”)

5-Risk Management and Compliance

- Draft broader principle on record keeping
- Be mindful of the word “*standards*” given confusion about term and proper application
- Refer generally to overall risk management frameworks, rather than naming the “*three lines of defense*” model specifically

Next Steps. Single Code

- SWG prepared list of key agreed items, circulated to each drafting team
- SWG and MPG leads to redraft and address comments on their section in the comment log (Nov 7– Nov 28)
- **New draft circulated to FXWG, MPG and to FXCs (5-19 Dec)**
 - **FXCG members are strongly invited to review and provide comments**
 - **Work streams organisation**
- **Fatal flaw in February**
- **March: ECC Governors approval**
- **May: Publication**

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- Single standardised form: **statement of commitment**
- As well as being used for FXC membership, will be available to all market participants including central banks, infrastructures, trade associations
- Brief and high level in style
- Will be made available as an Annex to the Code
- Draft will be circulated in December comment round

Statement - Wording

- Embodies a clear commitment to adhere to the Code
- In a manner commensurate with size and nature of FX business ('proportionality'):
- An accompanying explanatory note will be drafted, including questions (e.g. transitional arrangements and implementation issues)

1-Market-led mechanisms

- Methodology applied – approximately 25 market-led mechanisms were compiled by the MPG AWG
 - Feedback solicited from full list of MPG
 - Mechanisms ranked as a function of effectiveness, global reach and feasibility
 - Fatal flaw objections were also solicited
- Two figured prominently with the MPG
 - a) Training
 - b) Certification – from Public Register to “Kitemark”

2-Outreach to associations

- Work plan
 - Briefing pack (background document, set of questions) serves to support FXWG members' outreach efforts to associations.
 - Each FXWG members to reach out to associations located in their jurisdiction
 - ASG coordinates for international ones
 - Regular updates provided at FXWG meetings
- Key initial findings
 - Associations supportive of the Code
 - Commitment to raise awareness
 - Public statement
 - Some supportive of training
- Continue outreach

3-Central Bank own adherence and counterparty expectations

- FX Global Code Public Update on Adherence May 2016
 - a) Own adherence: FXWG central banks intend to adhere to the Code.
 - b) CB counterparty: CB expect their regular FX trading counterparties to adhere (*subject to effective discharge of policy functions*).



Thank you
for your attention