



EUROPEAN CENTRAL BANK

EUROSYSTEM

Single Code and adherence: an update

Adrian Boehler

Cédric Beaurain

Guy-Charles Marhic

Frankfurt am Main, 09 February 2017

A) Single Code

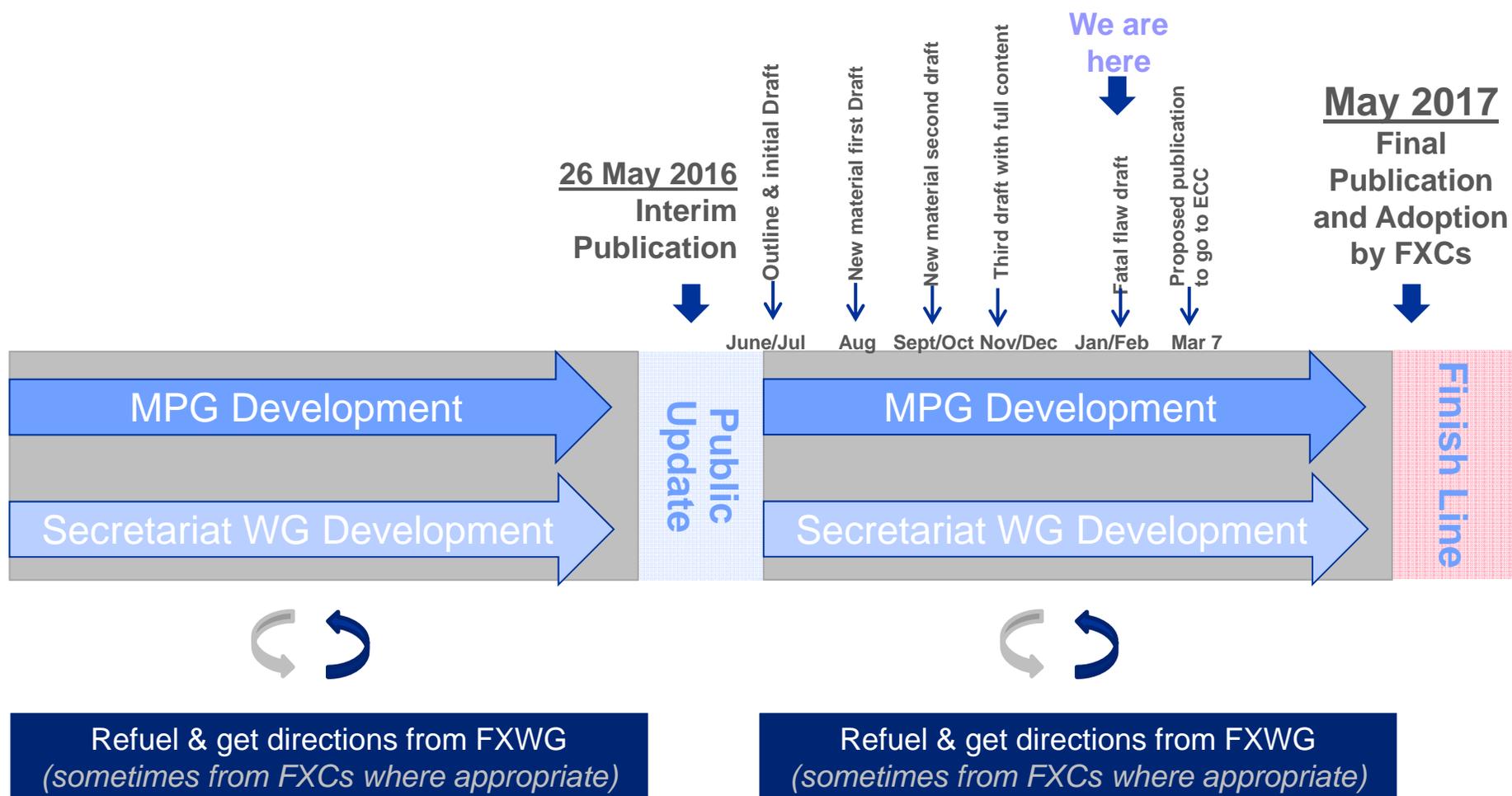
- Final draft: how comments were addressed
 1. Overview of comments and how they were addressed
 2. Execution
 3. Examples
 4. Governance, Risk Management and Compliance
- Action points and timeline

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
 - c) FXCG membership
- Action points and timeline

Timeline

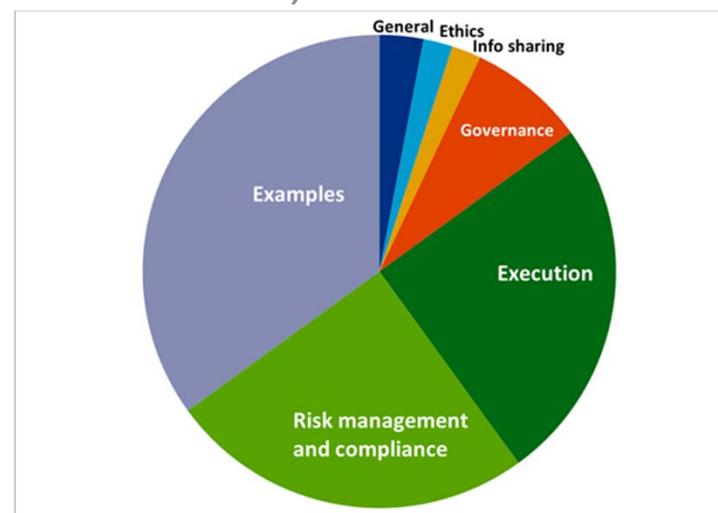
Developing the Global FX Code: A Road Map



1-Overview

- Draft 3 feedback received from 24+ different channels
- 1480+ individual comments (1900 in previous round)

- 3% general
- 2% ethics, 2% info sharing
- 8% governance
- 25% execution
- 25% risk management and compliance
- **35% examples**



- Feedback generally consistent across channels
- Majority on refinement of text: **done**
- Some need to clarify some principles: **done**
- Some substantial comments on a few principles: **addressed**

- Execution: how the major comments were addressed to come to this final version (MPG Members)
 - Execution E-Trading
 - Prime Brokerage (several principles: 4, 9, 15, 19, 26)
 - Last look (Principle 17, last page of Code folder)

3-Examples. Summary of feedback

- 500 comments via FXC members and FXWG
 - Majority of comments suggest changes that will clarify and improve the examples
 - Some highlight potential inconsistencies between the examples and current principles
 - Indicate need for greater clarity in some principles.
 - Hot topics
 - Continuity of prime broker client relationships
 - Pre-hedging during last-look window
- Language has been refined
- Number of examples has been streamlined

4-Ethics & Governance – Risk Management and Compliance

- Ethics & Governance: majority of comments seek to clarify, condense and improve principles: **done**
 - Clarification on “body or individual” is/are responsible for MP’s FX activity
 - Comments on proportionality for infrequent users (e.g. Principle 6 on remuneration)
 - How to apply sections in a proportionate way
- Risk management and compliance: mostly refinement, issue of proportionality: **done**

Action points and next steps

- Convey FXCG comments to the Fed by 10 February
- 23 February: FXWG meeting in Hong Kong
- 7 March: deadline to BIS ECC Governors for endorsement, stylistic changes but no substantial changes thereafter
- 24 May 2017: publication and final endorsement of the Code by FXCs
- Future governance of the Code

Issues for discussion:

- 1) Any remaining fatal flaw/substantial comment(s)?
- 2) Can the Code be published as it is now?

A) Single Code

- Final draft: how comments were addressed
 1. Overview of comments and how they were addressed
 2. Execution
 3. Examples
 4. Governance, Risk Management and Compliance
- Action points and timeline

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
- Action points and timeline

Statement – Overview and Wording

- 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
- Embodies a clear commitment to adhere to the Code
- “Based on the size and complexity of its FX activity”
(‘proportionality’)

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.

[INSTITUTION NAME]

Date: _____

Issues for discussion

1. Do FXCG members support the current version of the statement?
2. Do you agree that the proportionality principle is well reflected?
3. How and when do FXCG members intend to publish their statement?

Statement –Accompanying Explanatory Note

- An accompanying **explanatory note** includes questions e.g. on
 - Benefits of adherence
 - Purpose of the Statement
 - Proportionality
 - Transitional arrangements and implementation issues
- “Reasonable” timeframe for signing the Statement

Issues for discussion

- 1) Do FXCG members support the current version of the explanatory note?
- 2) Are the benefits well stated?
- 3) Do FXCG members view the 6 to 12 month timeframe adequate?

Review of market-led mechanisms (Adrian):

- Advocacy Note
- Training
- Certification – Public Registry/Kitemark

Issues for discussion

- 1) What kind of preliminary views on training options?
- 2) Preliminary views on public registry? Who could host the Statements?

2-Outreach to associations and infrastructure

- Key findings
 - More associations supportive of the Code
 - Commitment to raise awareness
 - Public statement
 - Some supportive of training
- Outreach to non-FXWG jurisdictions
- Continue outreach to associations
- Start engagement with infrastructure providers

Issues for discussion

- 1) Can you share your experience with outreach?
- 2) What is the feedback received during the outreach exercise ?
- 2) What is the most often considered adherence option by associations and other bodies?

3-Central Bank own adherence and counterparty expectations

- ECC statement May 2016: *“Demonstrating our strong commitment to support and promote adherence to the Global Code, central banks intend to adhere to the principles and standards of the Code where they act as market participants themselves. Further, central banks expect that their regular FX trading counterparties will adhere to the Code.”*
 - 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*)
 - Ongoing work at FXWG and ESCB level

ECB reviewing FXCG membership/rotation in December each year

Issues for discussion:

1. Could FXCG members sign the Statement by 15 December 2017 or more time is needed? (New FXCG members to sign when joining)
2. How do FXCG members see practical modalities e.g.
 1. Sending to ECB Secretariat
 2. Renewal frequency (e.g. when new Code is released)
 3. Publication on ECB website

Action points and timeline

- By 13 February, report to ECB substantial comments on the
 - Draft Code
 - Statement
 - Explanatory Note

- Next week: ECB to publish FXCG ToR

- 24-25 May: publication of the Code



Thank you
for your attention