

## Case study: Illustrative example of FX Global Code adoption

### Who we are:

We are a **Swiss real money investor**. Our Treasury team conducts FX spot and swap transactions in various currencies and enters into some derivative transactions. For diversification reasons and in order to achieve a sustainable return to cover the Company's liabilities, a significant portion of the Company's assets are invested outside of Switzerland. The Treasury team's primary objective is to reduce and smooth the volatility of the Company's performance by hedging a large part of the foreign exchange risk.

### Who we are:

Our Head of Finance Department decided to implement the principles of the Code and sign the Statement of Commitment (SoC). The Company's motivation for signing the SoC was to publicly demonstrate our high ethical standards and to support changes in the framework applicable to the foreign exchange market. Through the interaction that the introduction of the Code provides, we also gained access to a platform to discuss internal and external challenges in the FX markets, learn from others and seek opportunities for improvement. In that regard, the various foreign exchange committees who jointly maintain the FX Global Code provide an excellent forum to exchange views on the effective functioning of the FX market and learn how to implement best practices.

### How we adhered:

**Setup:** The internal review was initiated by the Treasury team and took seven months. The Treasury team assembled a project team comprising representatives from Portfolio Management, Operations, Legal- & Compliance and Risk Management. The Treasury team led the project team and mandated each business area to do a gap analysis to review the Code's principles relevant to its area. Out of the 55 principles of the Code, we found 45 to be directly applicable to our foreign exchange activities. Nevertheless, the business units in the project team reviewed all principles for completeness.

**Proportionality:** The relevant business areas discussed with the Treasury team the "proportionality" element embedded in the Code. As intended, this element was helpful in order to define a focused approach for the Company to comply with the Code. Out of the 55 principles of the Code, we found 45 to be directly applicable to our foreign exchange activities. As far as they are concerned, we have examined the underlying logic and validated our processes against the objectives of the principles. Where a gap was identified or where we were not yet compatible with the best-in-class standards, steps were taken to ensure compliance and improvement of our standards.

**Procedure:** The Treasury team submitted the business case to the Investment Committee for approval before the project started and stated that the Company's internal practices were mostly sufficiently developed to comply with the Code's principles. It was agreed that the project team should assess the principles in comparison with the Company's internal practices and make necessary adjustments to internal processes in an appropriate timeframe.

The project team met with the various business units' managers and in particular with the Chief Risk Officer of the Company to review and close the adherence gaps.

Detected gaps between the Company's internal procedures and the principles of the Code were closed. Many of our processes were improved in recent years independently of the FX Global Code, but we have found that the Code helps us to focus on issues specific to FX

activities. Two principles led us to make some improvements in certain business areas and to develop new reports.

One such example was the application of principle 45. Its application caused us to update relevant internal documents, develop new reports, inform staff of new guidelines and to train staff where necessary. We were also carrying out minor system updates in a few specific areas.

Due to the Company's FX activities, the Board decided to participate in the GFXC survey and requesting membership in a local FXC.

**Decision:** After finalising the internal review, the Treasury team drafted a presentation for the Executive Management Board to verify completeness and accuracy in the internal review. The Board approved our internal processes and two members of the project team signed the SoC on behalf of the Company. To publicly demonstrate adherence to the Code, the Board decided to list the SoC on a public register that participates in the GFXC's Global Index. The Company has also stated its expectation that all of our trading counterparties sign the SoC.

**Outlook:** The Board tasked the Treasury team to monitor and review relevant amendments to the FX Global Code following each comprehensive review, and to reflect any applicable amendments to the Code's principles in the Company's internal policies and procedures.