

# Algo Due Diligence Template

## Explanatory statement

The GFXC's Algo Due Diligence Template is a response to feedback received during the 2020/21 3-year review of the Code and the findings of the report 'FX execution algorithms and market functioning' submitted by a Study Group established by the Markets Committee at the Bank for International Settlements (BIS), which was published in October 2020. These findings and feedback indicated that the level of information provided on execution algorithms was often insufficient for a user to make an informed purchasing choice whilst the lack of standardisation of the methodology of how information about execution algorithms is shared makes comparisons across providers impractical.

The template provides users of execution algorithms with a standardised framework of questions. Answers should then provide a meaningful understanding of the respective algorithm whilst facilitating comparisons across algorithms from multiple providers. The questions within the document may be especially useful for less experienced users of execution algorithms, who might otherwise not know what questions to ask.

Principle 18 of the FX Global Code states that 'Market Participants providing algorithmic trading services to Clients are encouraged to share disclosure information in a market-wide standardised format – for example, by aligning with the structure of the GFXC's FX Algo Due Diligence Template where appropriate, to allow Clients to more easily compare and understand the services.' Market participants may consider using this template while also keeping in mind the concept of proportionality in the FX Global Code. This template is not formally part of the FX Global Code and should not be viewed as an extension of it.

Market participants providing algorithmic trading services to clients may choose to share their template publicly on their website or alternatively send it bilaterally to clients using or intending to use execution algorithms, should they consider part or all of its content confidential. There are intentionally no model answers provided so that each provider may use their own discretion on the appropriate level of detail to provide to their clients and/or the public. Questions can also be answered by providing a link or referring to an attachment. However, if the linked/attached text contains other information as well, then the exact location within the linked/attached text where information on a particular question can be found should be specified.