AN INTRODUCTION TO THE FX GLOBAL CODE
WHAT IS THE CODE
WHY WAS THE CODE DEVELOPED?

A well functioning FX market is in the interest of all market participants

BIS Governors commissioned its Markets Committee to develop a common set of guidance to the FX market.

- Public-private sector collaboration
- Review of existing Codes of Conduct
- Establish Global Foreign Exchange Committee
- Promote and incentivise adherence

Common set of guidance allows participants to have much greater confidence that the market is functioning appropriately.

"In a globalised world, the foreign exchange market is one of the most vital parts of the financial plumbing."

GUY DEBELLE, Deputy Governor at the Reserve Bank of Australia, Chair of the Global Foreign Exchange Committee
WHO CONTRIBUTED TO THE CODE’S DEVELOPMENT?

Collaboration between central banks and private sector participants

OFFICIAL INSTITUTIONS

16 Central Banks and other official institutions

BUY SIDE

Over 15 asset management firms and corporates

INFRASTRUCTURE AND TRADE ASSOCIATIONS

Over 20 trade associations and infrastructure providers

SELL SIDE

Around 30 domestic and overseas banks

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WHAT MAKES THE FX MARKET SPECIAL?

A complex and diverse market needs a common set of guidance to promote fair and effective FX trading.

THE NATURE OF THE WHOLESALE FX MARKET IS INHERENTLY COMPLEX

- Activity takes place across multiple venues; there is no single trading venue and no single price.
- Trading happens 24 hours a day, spanning multiple centres.
- Participation is diverse - with banks, asset managers, corporates, and central banks, each transacting FX to meet different objectives.
- Participants act in different capacities (principals or agents; liquidity consumer and provider).

Common set of guidance is essential for promoting integrity and restoring confidence in the FX market.
WHY WILL THIS CODE BE DIFFERENT?

The FX market took collective responsibility to move toward a more favourable and desirable location.

SEVERAL FACTORS WHY THIS CODE IS DIFFERENT:

01

What the Code captures
- Guidance in areas where clarity is needed
- Voluntary principles vs rule-based
- Illustrative examples

02

How the Code was developed
- Public-private sector collaboration
- Over 10,000 comments taken into account from all types of market participants and associations

03

Who the Code applies to
- All wholesale FX market participants
- Incorporates the principle of proportionality, given the diverse nature of market participants

04

How the Code is implemented
- Framework to support adherence
- Global Index and Public Registers
- Training and education

05

How the Code will be maintained
- Public-private sector collaboration
- A living document evolving with the market
- Owned and maintained by the Global Foreign Exchange Committee
WHAT IS THE CODE?

// Principles and Content

- 55 principles universally recognized as best practices
- Clear and simple language
- Illustrative examples and Glossary

SIX LEADING PRINCIPLES

- Ethics
- Governance
- Execution
- Information Sharing
- Confirmation & Settlement
- Risk Management & Compliance
WHY SIGN ON TO THE CODE
WHY SHOULD I ADHERE TO THE CODE?

Adopting the Code benefits both the institution and the FX market as a whole.

- Provides an opportunity to improve internal FX operations.
- Informs stakeholders and investors that you are an informed and responsible market participant.
- Supports a fair, effective and resilient FX market.
- Gives market participants a competitive edge when it comes to demonstrating their conduct credentials.
- Offers valuable understanding on key topics in the FX market.
- Fosters a level playing field between buy-side and sell-side and improves quality of pricing and execution.
- Strengthens the buy-side community’s voice in the FX market.
“Adherence to the FX Global Code reflects a broader movement in financial markets towards fair, responsible and ethical trading practices. This is akin to the increasing traction of the sustainable investment movement in global financial markets. Widespread adoption of the Code will bring benefits that extend beyond the FX market, with positive implications to the real economy.”

JACQUELINE LOH, Deputy Managing Director at the Monetary Authority of Singapore

“Norges Bank Investment Management supports the FX Global Code as it provides a strong foundation to enhance the well-functioning of foreign exchange markets. We believe that evolutionary changes that reduce adverse impact of informational asymmetries in FX market practices would be beneficial to all participants. We have therefore committed to the Code and support efforts for its widespread adoption.”

GEIR ØIVIND NYGÅRD, CIO, Asset Strategies at Norges Bank Investment Management

“The Code is a significant global initiative to promote the integrity and effective functioning of the foreign exchange market, which is very much in the interest of all market participants. This clearly includes central banks, in their own role as market participants but also as it ensures a smooth transmission of monetary policy to the real economy.”

BENOÎT COEURÉ, Member of the Executive Board of the European Central Bank
“All market participants, including corporates like Airbus, have a collective responsibility towards enhancing and
upholding conduct standards across the FX industry. Airbus is therefore committed to the FX Global Code and had
already previously been acting in accordance with its leading principles and will continue to do so.”

CLAAS KOHL, Head Of Treasury Reporting and Middle Office at Airbus

“ At the heart of the Code is the requirement to act with integrity. This is one of the firm’s core values, ensuring that
we strive to do the right thing for our clients. Therefore adopting the FX global code was a natural step for
Schroders.”

ROBBIE BOUKHOUFANE, Portfolio Manager at Schroders

“QIC is a strong advocate for the FX Global Code alongside other areas of responsible investing. For buy-side
market participants, the principles go well beyond a Code of Conduct, and represent best practice for areas of
governance, execution, risk management and settlements.”

STUART SIMMONS, Senior Portfolio Manager at QIC
The FX Global Code of Conduct is consistent with the D. E. Shaw group’s own values of responsibility and integrity, and we support its adoption broadly across the industry. We encourage other buy-side market participants to commit to what we view as industry best practices - and, simply, the right way to do business.

Natalia Chefer, Managing Director at D. E. Shaw

“We asset managers must act in good faith for our clients. Therefore, it was a natural choice for us to make a Statement of Commitment to Global Code of Conduct. By adherence to Global Code of Conduct in foreign exchange market, we believe we will be able to gain trust of our clients and business counterparties and achieve good results.”

Takayuki Ohkuma, Senior Trader at Nomura Asset Management

“The Code provides a benchmark for best practices. Achieving that benchmark will be a competitive edge. There will be competitive pressure to attain that edge as managers do not want their rivals to be a step ahead in best practices.”

Michael O’Brien, Director of Global Trading at Eaton Vance

Why Does It Matter?

International buy-side ambassadors underscore the importance of the FX Global Code

www.globalfxc.org
HOW TO SIGN ON TO THE CODE
WHAT STEPS SHOULD MY FIRM CONSIDER TO ALIGN TO THE CODE?

// A roadmap to adherence

1. Review the content of the Code

2. Connect relevant internal business areas and set up a project group

3. Identify relevant FX activities and determine which principles are applicable to your firm

4. Conduct a gap analysis between internal processes and procedures and the principles of the Code

5. Align internal processes and procedures to the principles of the Code

6. Review existing oversight arrangements and control frameworks to ensure ongoing appropriate adherence

7. Determine appropriate level of signatory for Statement of Commitment and frequency of review

8. Consider training and education for staff to embed the principles of the Code

9. Consider review and update of disclosures

10. Make Statement of Commitment publicly available, for example on Public Register

Market Participants may consider different steps depending on the size and complexity of the firm’s FX activities, and the nature of its engagement in the FX market.
WHERE CAN I FIND GUIDANCE MATERIAL?

// Become a signatory and look for more information on the GFXC webpage

Listen to the webinar featuring senior representatives from a variety of institutions across the world.

Download the gap analysis template to facilitate your implementation process.

Contact your national FX Committee for questions specific to your region.
HOW DO I MAKE THE STATEMENT OF COMMITMENT PUBLICLY AVAILABLE?

Global Index of Public Registers serves as a central reference point for demonstrated commitment to the Code.

Source: Global FX Committee
https://www.globalfxc.org/global_index.htm
WHERE TO GET MORE INFO

www.globalfxc.org
WHERE CAN I GET MORE INFORMATION?

// Wealth of material available at Global and national FX Committee websites

The Code and reference material is available here.
www.globalfxc.org

Global Index of institutions who have adhered to the Code.
www.globalfxc.org/global_index.htm

Talk to your primary bank contact
Talk to your local association
Talk to international buy-side ambassadors*
Talk to national FX Committee

* Representatives from:
Airbus, QIC, NBIM, Schroders, DE Shaw,
Nomura Asset Management, Eaton Vance