

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

### Who we are:

We are a **euro area non-financial corporation**. Our FX team consists of 5 members who conduct FX spot, FX forward, FX Option and swap transactions to match revenues and costs in the business and to hedge market risks.

### Why we adhered:

The Group Treasury division decided to implement the principles of the Code and the Treasurer signed the Statement of Commitment (SoC) as the Group is committed to following the highest ethical practices in all our activities. We also support all initiatives that make markets more robust and function more effectively.

### How we adhered:

**Setup:** The **internal review** was initiated by the **Internal Control (IC) department** and took approximately 2 months to complete. An Internal Control project team was created to review the Code Principles and to report periodically on the implementation status to the representatives from Front Office, Compliance and Treasury Management.

The Deputy Head of IC **set a project timeline with deliverables** across the different departments.

**Proportionality:** The principles of the Code were reviewed in light of the core Treasury-focused business conducted in order to identify the principles applicable and the team(s) most impacted by these principles. Indeed, being a buy-side participant was a key factor in the non-applicability of a number of excluded principles. In addition, being a multi-national, centralised corporate treasury function means that a large majority of our FX activity is aimed at risk management and hedging for group affiliates and other group entities.

This position was confirmed through IC performing an analysis of FX transactions executed over a suitable length of time to identify key instruments, counterparties, brokers, currency pairs and trading venues used to execute transactions. Further meetings were held with the Head of Front Office and Treasurer to validate the analysis assumptions taken, the output and the perceived low/medium risk levels associated with our FX activities.

**Out of the 55 principles, we found 46 to be applicable to our FX operations;** nevertheless, the project team reviewed all principles for completeness and provided a justification for the principles considered not applicable.

With this in mind, proposals for the development of the implementation plan were discussed further (see below).

**Procedure:** The main challenge the firm faced in the process of signing up to the Code was **designating a dedicated resource** to analyse all principles & drive implementation as well as interpreting some of the more **generically worded principles and applying it to our context**. After validation of the initial applicability and proportionality analysis by Treasurer and Head of Front Office, given the importance of aligning ourselves with market best practice, the Deputy Head of IC was tasked with driving both implementation and any actions required to enable us to commit to the Code.

The IC project team **met fortnightly** to discuss project progress and documented this in a tracking mechanism against each principle. (gap analysis). The **gap analysis** listed each principle's (i) applicability - and if applicable also the firm's (ii) status of adherence, (iii)

references to internal policies, processes and procedures and (iv) any other comments that were relevant and helpful.

Where **gaps were identified** between the firm's internal policies/procedures and the principles of the Code, the IC project team assessed resource implications and timeline to close these gaps. We found in total 11 principles where further action was required and prioritised these against a rating scale in terms of urgency of actions required. In particular the IC Project team identified the following typologies of remediation actions:

- **Revision of internal procedure/policy;**
- **Reinforcement of existing control;**
- **Expansion of Control function perimeter;**
- **Training on the Code principles.**

The overall process of communicating the gaps and establishing remediation actions was carried out by one staff member and took less than 2 months. The remediation actions focused on ensuring the correct adherence to the Code.

Once the remediation plan was finalised, all Treasury departments were trained on the FX Global Code of Conduct and on the remediation actions defined. The training covered all employees and it focused on the Code context, content and background. After completing the training, every employee received a copy of the Code and acknowledged their commitment to abiding with the principles of the Code.

**Decision:** After finalising the internal review the IC **project team drafted a presentation** outlining the scope, purpose, and actions taken in the internal review. The **IC project team presented the findings** of the internal review to the **Treasurer**, who **signed the Statement of Commitment on behalf of the Group**. Treasury Management decided to publish the Statement of Commitment on a **public register** participating in the GFXC's Global Index to demonstrate its adherence to the Code publicly.

**Outlook:** The Treasurer tasked the IC team with **reviewing adherence to the FX Global Code periodically**, and mapping any relevant amendments against the internal policies and procedures of the firm. Any subsequent need to amend internal policies and procedures to reflect updates to the FX Global Code would prompt a **renewed signature** of the Statement of Commitment by Treasury Management.

Due to the firm's limited FX activities, Treasury Management decided not to sign up relevant staff to e-learning (above the training internally prepared). Nevertheless, the IC team considers best practices related to financial markets to be important so they will run a refresher training session for the Front Office team and encourage the creation a periodic **session where the traders** can discuss situations and cases they experience in the market and how to handle these appropriately. Additionally IC maintains a register with all the instances of possible market malpractices that are disclosed by the Front Office.