GFXC - PUBLIC REQUEST FOR FEEDBACK (APRIL 2021)

SUBMISSIONS

TABLE OF CONTENTS

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MEMBERSHIP

ETHICAL CONDUCT

EDUCATION

FINANCIAL MARKETS ASSOCIATION EST.1955

Paris, 7th May 2021

Dear members of the Global Foreign Exchange Committee,

In response to the collaboration request issued on April 8th 2021 by the Global Foreign Exchange Committee (GFXC), ACI Financial Markets Association (ACI FMA), after a long, complex and detailed process of work and cooperation with its Committees and Working Groups, hereby presents its contributions.

As a General Comment, ACI FMA recommends that the Statement of Commitment is an one-off document signed by Market Participants, as it is intended to demonstrate their adherence to the FX Global Code on an ongoing basis. Therefore, ACI FMA expects (and encourages) that signatories to the Statement of Commitment will always apply best endeavours to review and adjust their internal procedures and guidelines with upcoming changes to the Code's principles, always with regard to the size and complexity of their activities and the nature of their engagement in the FX Market. A potential request to renew the Statement of Commitment within a certain period may impact the capacity of Market Participants to fully implement those changes by the proposed time (for instance, on A4.2 the proposed footnote to Principle 22 refers an "up-to-date Statement of Commitment signatory status") and may even bring disturbances to the publication of such Statements in the Public Register."

We would like to point out that ACI FMA is available for any necessary clarification regarding the presented response.

We are utterly available to collaborate with the GFXC in the completion of this process. Therefore, and with that objective, please feel free to contact the ACI FMA through:

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Sincerely,
Kim and Rui

Summary of ACI FMA:

ACI Financial Markets Association (ACI FMA) is a leading global trade association representing the interests of professionals in the wholesale financial markets community. Established in 1955, ACI FMA is focused on enhancing best market practice and supporting Market Participants to adhere to principles of ethical conduct. ACI FMA is an international association with 60 National Associations worldwide representing over 8.000 members.

Please refer to Addendum 1 on page 18 for a more detailed description of ACI FMA and its core values.

Attachment A:

Anonymous Trading

A1. Do you agree with the proposed Data-related addition to Principle 9?

ACI FMA agrees.

A2. Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?

ACI FMA agrees and we would like to further recommend that the initial part of the proposed text to be added in Principle 9 will read as: "Market Participants operating anonymous FX E-Trading platforms that feature unique identifiers ("tags") should, where applicable and subject to the nature of their engagement in the FX Market:..."

A3. Do you agree with the proposed Credit-related additions to Principles 29 and 41?

ACI FMA agrees.

A4.1 Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?

Please refer to ACI FMA General Comment on the 1st page of this Letter.

A4.2 Do you agree with the included footnote to the proposed addition to Principle 22?

Please refer to ACI FMA General Comment on the 1st page of this Letter.

A4.3 Do you agree with the added example to Annex 1, which would map to Principle 22?

Please refer to ACI FMA General Comment on the 1st page of this Letter.

Attachment B:

Proposals for Enhancing Transparency to Execution Algorithms and Supporting Transaction Cost Analysis

B1. When providing feedback, please state your relationship to algorithmic execution:

☐ Algo Provider ☐ Algo User ☐ Technology/data provider ☒ **Other**

ACI FMA is a global financial markets association that represent its international members.

B2.1 Will you use the template? If not, why not?

The ACI FMA is representing its members. Although it is our members' decision whether or not to use the template, we would recommend our members to use the proposed basic template as guidance on the data that should be analysed.

B2.2 Which version of the template do you prefer?

☐ aspirational ☒ **basic**

However we propose changes to the basic template. Please see Data Description starting at page 13 for more details.

B2.3 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).

The data that should be analysed should be for the purpose of performing Transaction Cost Analysis (TCA). Some of the proposed data is not relevant in the context of performing TCA and as such should not be in the template. (Please see our specific comments on the Data Description starting at page 13).

With regards to the aspirational template, we believe the proposal may expose too much detail such that the underlying logic of the algorithm is at risk of being reverse engineered. The logic of the algorithm is proprietary to the provider and we believe that providers will be reluctant to provide such detailed information to protect their intellectual property. Furthermore this additional data does not provide any value in calculating transaction cost. We recommend that the aspirational data is removed from the template. We suggest that clients should reach out to their algo provider for any further data that can be provided on a bi-lateral basis.

B2.4 Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?

This will vary for our members. However, the basic version should be more appropriate to implement as it follows the same template of 3rd party TCA providers. Aspirational version contains data that may not be accessible by providers who utilise 3rd party algos.

B2.5 Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

The ACI FMA believe the template should be provided on the basis of guidance and should not get involved in discussions on incoming queries. The recommendation here should be to contact your algo provider to discuss any further details that are required.

It is also worth noting that there is a growing trend where clients are using the services of 3rd party TCA providers. In this instance, the TCA providers will have their own templates that will be sent to the algo providers which may differ from the proposed template. The GFXC should not be prescriptive on this topic and as mentioned before, it should be clear the template is guidance.

B2.6 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

Yes. ACI FMA has an e-learning tool for training, attestation and certification (ELAC Platform) for individual Market Participants to test their knowledge on industry Codes, such as the FX Global Code (FXGC). The content available in ELAC has a strong focus on market practice scenarios which aim to bring the FXGC into "life". These scenarios are built by experienced Market Participants from various sectors of the FX Market and are then revised by the Committee For Professionalism (CFP), an ACI FMA Working Group with Code experts from various parts of the world. Therefore, ELAC shows how the practical implementation of those "real life" examples should follow the good market practices advocated by the FXGC and clearly demonstrate how continuous education is extremely important for an ongoing adherence to the FXGC, particularly as the markets and the FXGC change over time. Therefore, ACI FMA would be interested in presenting these examples which could support the GFXC's efforts in the operationalisation of these proposals.

B2.7 Do you have any comments on the additional text in Principle 18 to encourage Market Participants to use the Transaction Cost Analysis Data Template?

‘Market Participants providing algorithmic trading services to Clients should disclose pertinent information to be used for the purpose of Transaction Cost Analysis (TCA). The Transaction Cost Analysis Data Template published by the GFXC should be used as guidance to the data that can be provided. Additional data should be provided if it is considered useful.’ We recommend the word 'encouraged' should be removed as it is too prescriptive and be replaced with the word 'guidance'. Furthermore, the FX Global Code is voluntary, principles-based and not legally binding.

B3. Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?

No comments on the text. However, we would advocate that the term 'aggregation services' should be defined in alignment with the text of the 2nd paragraph of Principle 18.

B4.1 Will you use the template? If not, why not?

The ACI FMA is representing its members. Although it is our members’ decision whether or not to use the template, we would recommend our members to use the proposed template as guidance.

B4.2 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).

ACI FMA are mostly supportive of the Algo Due Diligence Template. Below are our comments:

GENERAL

[Questions 2, 3, 4, 5, 6] Algo descriptions and parameters of an algo are normally part of the algo providers user guide. We propose the questions should ask for this data or for the provider to attach a user guide (that details the parameters/controls) rather than listing them in the template and it can be large and repetitive.

ROUTING POLICY

[Questions 15, 16, 19]
These questions may cause issues for algo providers as it requires the disclosure on the inner working of the algorithms. It exposes logic that is proprietary to the provider. This should be removed from the template and should recommend users to request additional data from the provider which can be presented on a bi-lateral basis.

[Question 20]
We propose the statement 'If yes, please specify' be removed as it asking the provider to provide sensitive information on how they construct the mid-point which is proprietary.

[Question 21]
The following sentence should be removed:
'If you wish to do so you may provide an indication of how much volume is internalised on average.'
The variance of internalisation can be very high based on currency pair, time of day and chosen algo. This data will not be comparable between providers and as such adds no value.

B4.3 Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

No Comment.

B4.4 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

Yes. ACI FMA has an e-learning tool for training, attestation and certification (ELAC Platform) for individual Market Participants to test their knowledge on industry Codes, such as the FX Global Code (FXGC). The content available in ELAC has a strong focus on market practice scenarios which aim to bring the FXGC into "life". These scenarios are built by experienced Market Participants from various sectors of the FX Market and are then revised by the Committee For Professionalism, an ACI FMA Working Group with Code experts from various parts of the world. Therefore, ELAC shows how the practical implementation of those "real life" examples should follow the good market practices advocated by the FXGC and clearly demonstrate how continuous education is extremely important for an ongoing adherence to the FXGC, particularly as the markets and the FXGC change over time. Therefore, ACI FMA would be interested in presenting these examples which could support the GFXC's efforts in the operationalisation of these proposals.

B5. Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?

‘Market Participants providing algorithmic trading services to Clients should share disclosure information in a manner easily accessible, e.g. either by making their answers available bilaterally to both existing and prospective Clients, or by publishing them in the unrestricted area of their website. Providers should use the GFXC’s FX Algo Due Diligence Template as **guidance** for appropriate disclosures. We recommend the word 'encouraged' should be removed as it is too prescriptive and replaced with the word 'guidance'. Furthermore, the FX Global Code is voluntary, principles base and not legally binding.

B6.1 Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?

ACI FMA agrees.

B6.2 Do you agree with the definition of algorithmic execution? If not, what would you change?

ACI FMA agrees.

B6.3 Do you agree with the definition of aggregation services? If not, what would you change?

ACI FMA has concerns on the proposed definition of 'aggregated services', as it should be aligned with the text of the 2nd paragraph of Principle 18 as opposed to the one suggested for the new Glossary.

Attachment C:
Disclosures

C1.1 - Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?

ACI FMA will prefer to adopt a different approach and recommend replacing the proposed Cover Sheet should with a guidance document for clients to assess the level of information they should evaluate in the existing bank disclosure documents. If any information cannot be found in the disclosure document, the client should contact the Liquidity Provider to request the appropriate information. We are therefore not supportive of the introduction of this Cover Sheet.

C1.2 Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?

Liquidity Providers that have signed up to the Code should have already provided participants with Terms of Dealing documents. The document would have of had compliance/legal/business input where the content will vary from bank to bank. We believe the Cover Sheet will add further unnecessary cost for the Liquidity Providers as it will be another document that will need to be maintained. The content of the Cover Sheet should already be covered in existing disclosures that are Code compliant and a Cover Sheet may give the wrong incentive not to look at all the important other information included in the terms of reference document provided by banks to their clients.

C2.1 Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?

We would propose a different approach as E-Trading Platforms that have signed up to the Code should have already provided participants with Terms of Dealing documents/Rule Book. The document would have had compliance/legal/business input where the content will vary from platform to platform. We believe the Cover Sheet will add further unnecessary cost for the platform's as it will be another document that will need to be maintained. Furthermore, the content of the Cover Sheet should have already be covered in existing disclosures that are Code compliant. We recommend the Cover Sheet should act as guidance document for clients to assess the level of information they should evaluate in the existing disclosure. If any information cannot be found in the disclosure document, the client should contact the E-Trading Platform to request the appropriate information.

C2.2 Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex2)?

If for some reasons E-Trading platforms do not have Terms of Dealing documents/Rule Book, the Code should encourage them to create one. Content should be for guidance only (see C2.1 for more details).

C3. Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?

The ACI FMA is concerned regarding the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36 as we would envisage that this could present an onerous, very burdensome technology/API uplift even for the most sophisticated financial institutions, much less for smaller banks and buy side market operatives. However, we would propose that the development and gradual introduction of a robust and comprehensive set of trade rejection definitions, to include liquidity reasons, should be introduced to the Code and Market Participants should be encouraged to deploy such definitions as and when system upgrades are implemented.

C4. Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?

In the context of the proposed Code changes to provide additional guidance on Market Participants handling of internal FX Trading Information in Principle 19, ACI FMA wonders why the internal treatment of FX Trading Information should be singled out for specific additional guidance. With due regard for client confidentiality and the management of conflicts of interest, many financial Market Participants, whether ‘Buy’ or ‘Sell? Side have implemented systems and controls, policies and procedures to ensure compliance with the regulatory environment. While Spot FX may not be ‘caught’ by these regulatory regimes as are FX derivatives, ethical walls, systemic and physical proximity barriers and conflicts of interest management frameworks are deployed across FX business units, and indeed across Capital Markets businesses.

Attachment D:
FX Settlement Risk

D1. Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?

As part of the review, the GFXC also identified a need to strengthen the Code's guidance on the management of settlement risk. Specifically, the GFXC wishes to place greater stress on the usage of Payment-Versus-Payment (PVP) settlement mechanisms where they are available, and to discourage 'strategic fails'. ACI FMA regards this as prudent and logical. However, the ACI FMA believes that the majority of financial institutions who engage in this activity would already be deploying risk-mitigating methods.

In the consultation, the GFXC proposes that If a counterparty's chosen method of settlement prevents a Market Participant from reducing its Settlement Risk (e.g., a counterparty does not participate in PVP arrangements or does not agree to use obligation netting), then the GFXC should encourage the Market Participant to consider decreasing its exposure limit to the counterparty or should consider creating incentives for the counterparty to modify its FX settlement.

While this appears prudent, the ACI FMA does think that this proposal is rather prescriptive.

Parent order information					
Field	**Description**	**Format**	**Allowed values**	**Example**	**ACI FMA Comments**
Algo Provider	Name of the algo's provider	Alphanumeric		Firm	OK
Algo Name	Name of the algorithm	Alphanumeric		Floater	OK
Parent Order Currency Pair	Currency pair of the parent order	Alpha (XXXYYY)	any two ISO currency codes	EURUSD	OK
Parent Order Direction	Direction of the parent order currency pair from the client's perspective	Alpha	Buy, Sell	sell	OK
Parent Order Amount	Amount of the parent order	Numeric		1000000	OK
Parent Order Amount Currency	Currency of the amount of the parent order	Alpha (XXX)	any one ISO currency code	USD	OK
Parent Order Start Time	Start time of the parent order (in UTC)	HH:MM:SS.sss		09:00:05.450	OK
Parent Order End Time	End time of the parent order (in UTC)	HH:MM:SS.sss		09:11:27.100	OK
Parent Order Traded Rate (excl. Fee)	Traded rate of the parent order excluding the algo fee	Numeric		1,143128	OK
Parent Order Traded Rate (incl. Fee)	Traded rate of the parent order including the algo fee	Numeric		1,143128	OK
Parent Order Unique Reference	Algo provider's internal identification of the parent order	Alphanumeric		AA1125:434XYZ	OK
Parent Order Trade Date	Trade date of the parent order	Numeric YYYYMMDD		20150205	OK
Parent Order Value Date	Value date of the parent order	Numeric YYYYMMDD		20150205	OK
Mid at Arrival	Top of book mid-rate on the primary ECN at the start time of the parent order	Numeric		1,143128	OK
Risk Transfer Price (if available)	The estimated risk-transfer price for the parent order, if the whole notional amount had been dealt at the start time of the parent order	Numeric		1,143128	OK

Child order information

Field	Description	Format	Allowed values	Example	ACI FMA Comments
Child Order ID	Algo provider's internal identification tag of the child order	Alphanumeric		XYC125:434XUN	OK
Action Time	Timestamp for each action taken in UTC. Action includes submission, fill, reject, cancel, amendment on child order level and amendment on parent order level.	HH:MM:SS.sss		09:11:27.100	Do not agree with the aspirational fields as these could lead to the reverse engineering of the proprietary logic of the algorithm. Parent order amends should be removed as it has no bearing on calculating transaction costs. TCA is not an audit of the algo logic/changes.
Action	Action includes submission, fill, reject, cancel, amendment on child order level and amendment on parent order level	Alpha	Submission, Fill, Reject (incl. reject reason if possible), Cancel, Amendment, Parent order amendment	Fill	Do not agree with the aspirational fields as these could lead to the reverse engineering of the proprietary logic of the algorithm. Parent order amends should be removed as it has no bearing on calculating transaction costs. TCA is not an audit of the algo logic/changes.

Field	Description	Format	Allowed values	Example	ACI FMA Comments
Child Order Direction	Direction of the child order currency pair from the client's perspective	Alpha	Buy, Sell	buy	OK
Child Order Currency Pair	Currency pair of the child order	Alpha (XXXYYY)	any two ISO currency codes	EURUSD	OK
Child Order Action Amount	Notional amount of the corresponding action of the child order	Numeric		1000000	OK
Child Order Amount Currency	Currency of the amount of the child order	Alpha (XXX)	any one ISO currency code	EUR	OK
Parent Order Algo Mode	Most important setting of the algorithm (for example urgency parameter)	Alphanumeric		slow	This should be removed as it has no bearing on calculating transaction costs of a child order.
Parent Order Limit Price	Limit price of the parent order in place at the action time	Numeric		1,143128	This should be removed as it has no bearing on calculating transaction costs of a child order.
Parent Order Amount	Amount of the parent order in place at the action time	Numeric		1000000	This should be removed as it has no bearing on calculating transaction costs of a child order.
Child Order Order Type	Classification of the aggressiveness of the child order	Alpha	Aggressive, Mid, Passive, Other	Passive	OK
Child Order Rate (excl. Fee)	Rate of the child order excluding the algo fee	Numeric		1,143128	OK
Child Order Rate (incl. Fee)	Rate of the child order including the algo fee	Numeric		1,143122	OK
Execution Venue	Name of the execution venue to which the child order was submitted	Alphanumeric		Internal	OK

Field	Description	Format	Allowed values	Example	ACI FMA Comments
Execution Venue Location	Location of the execution venue	Alphanumeric	LD4, NY4, NY5, SG1, TY3, Other	LD4	This should be removed as it has no bearing on calculating transaction costs of a child order. We suggest this information should be disclosed in the Algo Due diligence template as the value is fixed and does not change across child orders.
Execution Venue Liquidity	Liquidity/characteristics/policy of the execution venue	Alpha	Firm, Lastlook, Mixed	Lastlook	This should be removed as it has no bearing on calculating transaction costs of a child order. We suggest this information should be disclosed in the Algo Due diligence template as the value is fixed and does not change across child orders.

Field	Description	Format	Allowed values	Example	ACI FMA Comments
Execution Venue Code Adherence	Specification whether the execution venue and liquidity providers on the venue have signed a statement of commitment to the FX Global Code	Alpha	Yes, No	Yes	This should be removed as it has no bearing on calculating transaction costs of a child order. We suggest this information should be disclosed in the Algo Due diligence template as the value is fixed and does not change across child orders.
Reference Market Bid Rate	Top of book bid-rate on the primary ECN at the time of the child order’s action	Numeric		1,143128	OK
Reference Market Offer Rate	Top of book offer-rate on the primary ECN at the time of the child order’s action	Numeric		1,143128	OK

Addendum 1: History of ACI FMA:

ACI — Financial Markets Association ("ACI FMA") is a global non-political, non-profit association of wholesale financial market participants. ACI FMA was established under the French Law of 1901 and based on mutual recognition of markets professionals, with the objective of developing the profession, without discrimination of any sort.

Its main mission is to be a leading, global association of wholesale financial markets professionals, contributing to market development through education, best market practices, technical advice and networking events.

Since 1955, ACI FMA has represented the interests of individuals in professional trading, broking, operations, regulatory and compliance activities in global financial markets.

Focused on three core values of Membership, Education and Ethical Conduct, ACI FMA is committed to supporting market participants to operate at the highest standards of ethical conduct and best market practice. Specifically, these values represent:

- ✓ Membership: ACI FMA counts over 8,000 individual members representing 60 National Associations globally

- ✓ Education: Accredited, portable qualification and certification of professional and ethical standards to Market Participants worldwide

- ✓ Ethical Conduct: ACI FMA members are expected to maintain the highest ethical conduct in adherence with global Codes relevant to them.

ACI FMA members are proud to represent individual responsibility, and benefit from a network of global peers who place great emphasis on the best possible practices in our profession, in the same way as modern regulatory regimes and industry Codes.

Through cooperation with ACI FMA, an entity is able to demonstrate that concrete steps are being taken to ensure all the staff have been trained to the highest ethical standards of conduct, and that they understand their individual obligation.

ACI FMA are longstanding proponents and influencers of ethical conduct and good market practices to financial markets professionals.

Response to Global Foreign Exchange Committee Request for Feedback – May 2021

Attachment A: Anonymous Trading

A1. Do you agree with the proposed Data-related addition to Principle 9?

This addition to the FX Global Code appears to reflect certain MiFID requirements that apply to a large number of FX E-Trading Platforms. However, many FX E-Trading Platforms do not have market data-aligned requirements. As such, in our view the proposed amendment represents an inappropriate expansion of such requirements to non-MiFID firms.

We would also note, in relation to specific terms within the proposed amendment, that not all FX E-Trading Platforms are regulated entities with "rulebooks" or MiFID-like requirements, and the term "market data" remains undefined. These issues are likely to pose significant challenges for practical implementation. Where unregulated FX E-Trading Platforms are concerned, we suggest that any references to "rulebooks" should be expanded to include reference to contractual and disclosure documents, user guides and similar documents.

In our view, the current final bullet with respect to FX E-Trading Platforms under Principle 9 is sufficient to ensure fairness to users, stating that Market Participants should "have appropriate disclosure about subscription services being offered and any associated benefits, including market data (so that Clients have the opportunity to select among all services they are eligible for)".

A2. Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?

No comment.

A3. Do you agree with the proposed Credit-related additions to Principles 29 and 41?

We note that not all FX E-Trading Platforms are required to undertake credit monitoring or to apply controls on credit limits. As such, in our view this represents an over-broadening of the regulatory requirement and an overly prescriptive requirement for the FX Global Code. For this reason we do not support the proposed addition to Principle 29.

A4.1. Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?

We do not agree with the addition of requirements to identify members or users that are FX Global Code signatories. This requirement generates a risk of liquidity sub-pools (otherwise known as liquidity fragmentation) which could be damaging to financial markets and competition.

We are also concerned that this proposal would present impractical and disproportionate challenges for logistical maintenance of the information. For example, FX E-Trading Platforms will be unable to verify statements made about FX Global Code compliance at a user level. Given that information regarding FX Global Code signatories is generally available online through statements of commitment, in our view this proposed amendment does not provide sufficient additional value proportionate to the logistical efforts it would necessitate.

A4.2. Do you agree with the included footnote to the proposed addition to Principle 22?

We agree that limitations need to be stated clearly as to the FX E-Trading Platforms' role in the collection and presentation of such data, however would re-state our concerns in relation to A4.1.

A4.3. Do you agree with the added example to Annex 1, which would map to Principle 22?

See concerns stated at A4.1 above.

Attachment B: Execution Algorithms and Transaction Cost Analysis

B1. When providing feedback, please state your relationship to algorithmic execution:

Technology/Data Provider

Response to Global Foreign Exchange Committee Request for Feedback – May 2021

B2.1. Will you use the template? If not, why not?

No comment.

B2.2. Which version of the template do you prefer?

No comment.

B2.3. Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).

No comment.

B2.4. Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?

No comment.

B2.5. Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

No comment.

B2.6. In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

No comment.

B2.7. Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?

We strongly caution against the use of terminology within the FX Global Code that is subject to either differing jurisdictional definitions or differing industry interpretation.

For example, the proposed definition of the term 'Aggregation Services' differs to the generally accepted market definition. The generally accepted market definition refers to the process of adding together individual orders to buy and/or sell the same security as one larger order; not as the code suggests, "leveraging the provider's access to one or more pool(s) of liquidity" which may only be a result of such trade aggregation.

B3. Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?

No comment.

B4.1. Will you use the template? If not, why not?

No comment.

B4.2. Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).

No comment.

B4.3. Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

No comment.

B4.4. In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

No comment.

B5. Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?

As per B2.7 and B6.2 we encourage the working group to revise complementary definitions before progressing further work on disclosures.

B6.1. Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?

No comment.

B6.2. Do you agree with the definition of algorithmic execution? If not, what would you change?

The proposed definition of algorithmic execution does not align to industry expectations or examples as outlined in other example regulation. This inconsistency is unhelpful for market participants and creates the opportunity for regulatory arbitrage. We suggest that the FX Global Code Working Group revisits this definition in light of other regulatory examples, such as that proposed by the Hong Kong SFC Code of Conduct:

Algorithmic Trading:

"computer generated trading activities created by a predetermined set of rules aimed at delivering specific execution outcomes"

Alternatively, consider separating algorithmic activity and execution in a manner akin to the MiFID distinction:

Algorithm:

"'algorithmic trading' means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions"

versus

Execution:

"'execution of orders on behalf of clients' means acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance".

B6.3. Do you agree with the definition of aggregation services? If not, what would you change?

See comments at B2.7.

Attachment C: Disclosures

C1.1. Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?

No comment.

C1.2. Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?

No comment.

C2.1. Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?

We support the proposal for an E-Trading Platform Cover Sheet in accordance with the current definition of an E-Trading Platform. However, we remain concerned about ensuring consistent use of clearly defined terms throughout the FX Global Code and associated proposed documents such as the Cover

Sheet; which in our view is crucial to successful implementation.

C2.2. Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?

Further to comments at C2.1 above, we encourage the FX Global Code Working Group to collaborate with other industry bodies and legal advisors to ensure consistent use of clearly defined terms throughout the documentation, to ensure successful implementation and avoid risk of regulatory arbitrage or an uneven playing field.

We encourage the FX Global Code Working Group to remain cognisant that many FX Global Code adherents, including E-Trading Platform operators, are not subject to MiFID or similar regulatory requirements in other jurisdictions, and as such may not be subject to any, or uniform, disclosure requirements. As such, the proposed expansion of disclosure requirements (e.g. in relation to market data or billing) represents an unwelcome migration of “MiFID-like” requirements to non-MiFID business.

We encourage the FX Global Code Working Group to canvass Market Participants to gain an understanding of whether the proposed documentation has realistic prospects of widespread adoption.

C3. Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?

In Principle 9, we suggest that the proposed language be amended from *“the basis on which trade requests and orders might be rejected”* to *“the basis on which trade requests and/or orders might be rejected”* to ensure appropriate clarity.

C4. Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?

At this stage, we are unable to sufficiently review this proposal based on the information provided; for example, the level of granularity required. For this reason we do not support these proposed changes at this time.

Attachment D: FX Settlement Risk

D1. Do you agree with the proposed changes to the Code’s guidance on the management of settlement risk?

In our view, the proposed amendments to Principles 35 and 50 represent an over-broadening of existing regulatory requirements, and are inappropriately prescriptive for the FX Global Code.

GFXC Request for Feedback – April 2021

Attachment B: Execution Algorithms and Transaction Cost Analysis

B1- When providing feedback, please state your relationship to algorithmic execution:

Algo Provider

<u>Transaction Cost Analysis Data Template</u>

B2.1 Will you use the template? If not, why not?

Yes

B2.2 Which version of the template do you prefer?

Basic version

B2.3 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).

Whilst a standardised approach to Transaction Cost Analysis (TCA) has multiple benefits to ensure consistency and transparency for clients, the level of granularity in the templates requires further consideration.

A requirement to include submission, reject, cancel and amend child orders events, in addition to fills, will create an excessively large and complex set of data which will far exceed the requirements of most market participants, but will add complication and cost. We have already had experience where independent TCA providers have difficulty reporting at a detailed level on 1000+ trade fills on large algorithmic orders and adding all untraded order events into that list would significantly exacerbate such issues. Most importantly, this does not provide value to the vast majority of algo users, for whom the basic template comparisons will service adequately.

Similarly, the disclosure of the actual venue for each trade is not of significant value – it is adequate to state the category of the venue. Publishing reports on the exact venue selections used by an algorithm provider can disclose sensitive information that has the potential to be used to infer the behaviour of future live algorithms, which could be used to their disadvantage.

It is reasonable to provide clients with breakdowns on the type and number of venues used (e.g. primary market, secondary ECN, internal match, dark pool, partner liquidity feed).

The inclusion of the Reference Market Bid/Offer Rate fields are also unnecessary. For EBS and Reuters, this information is not fully standardised, as the prices can be credit screened or non-credit screened. The update frequency granularity is different depending on the tiering of the market data service subscribed to. The ability to disseminate the price information in these feeds to third parties can also be subject to licence agreements that can be modified by the venues, with additional fees potentially introduced, forcing any algo provider to assent to in order to meet this FXGC requirement. This service is better handled by independent TCA providers or left as an optional extra rather than stipulated in the template.

B2.4 Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?

Aspirational version: 3 months   Basic version: 1 month

B2.5 Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

Although the wording of the code leaves some optionality with regard to phrasing such as "They are encouraged to provide data using the … template" which might imply that participants can choose to complete a subset only, in practice this is very difficult. Attesting adherence to the code for many participants comes with an audit and verification requirement, which is only clearly resolved with full implementation of optional elements. Hence it is very important that the committee does not establish minimum requirements that are only suitable to the small subset of high volume and highly sophisticated participants but incur significant overhead to the majority of small to mid-size participants.

B2.6 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

N/A

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage market participants to use the data template

Amendment of Principle 18 to cover conflicts of interest

B2.7 Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?

B3 Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?

The principles which guide a market participant's conduct should produce a level playing field and aim to increase competition among liquidity providers thus benefitting client outcomes.

The proposed additions to Principle 18 appear to favour large scale algo providers by setting a unnecessarily high set of expected requirements around disclosures and additional data provision that, being promoted as market standard by an industry body such as the FXGC committee, are taken to be mandatory even if not quoted explicitly as such. This has the effect of favouring the business models of larger players and increases the barriers to entry for new/small/medium providers, resulting in the unintended anti-competitive consequences. It is better to cater to such requirements as premium offerings available through competitive differentiation, than to enshrine them as minimum standards.

Algo Due Diligence Template

B4.1 Will you use the template? If not, why not?

Yes

B4.2 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).

The allocation, routing, segregation policy sections are very specific and granular. They indirectly imply that anything short of full segregation of algorithmic and discretionary execution functions is below accepted market standards, whereas adherence to the other principles of the global code already cover the appropriate safeguards in place to protect the integrity of the market. This implication can pose barriers to entry for newer/smaller players with a substantial overhead to demonstrate full compliance and ultimately impacting client outcomes.

The granular nature of the disclosures raises the issue of how frequently do these need to be updated regarding minor changes in business logic. They become meaningless if end clients are faced with a barrage of revised disclosures each month for minor revisions, due to the providers seeking to be sure they are not breaking their commitment to meet the FXGC. An issue emerges as to what is classed as a significant change in algo logic to warrant a change in client disclosure and how are iterative enhancements to Algo logic disclosed. Newer participants with less mature algorithms will be disproportionately affected by this issue, which becomes another barrier to innovation and competition.

B4.3 Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

B4.4 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

N/A

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template

B5 Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence

Template?

Refer above answer.

Additional entries for the Code's glossary

B6.1 Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?

B6.2 Do you agree with the definition of algorithmic execution? If not, what would you change?

B6.3 Do you agree with the definition of aggregation services? If not, what would you change?

Attachment C: Disclosures

Liquidity Provider Cover Sheet

C1.1 Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?

C1.2 Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?

Trading Platform Cover Sheet

C2.1 Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?

C2.2 Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?

Handling Confidential Information

C4 Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19.

Assiom Forex reply to GFXC's request for industry feedback on review of FX Global Code

ASSIOM FOREX welcomed the opportunity to provide its feedback on the review of the FX Global Code proposed by the Global Foreign Exchange Committee.

With its 1,200 members, representing about 450 financial institutions, ASSIOM FOREX is a unique and cohesive voice which provides a crucial contribution to the debate on the main issues of the financial markets, also acting as the primary counterpart with the Supervisory Authority and Market bodies.

The Association encourages the relationship with the Monetary and Financial Supervisory Authorities, both on national and international level.

Since 2018, ASSIOM FOREX hosts a Public Register to collect and make available all the Statements of Commitment of Market Participants whose employees are members of the ASSIOM FOREX association.

For this reason, its permanent "FX & Commodities" commission decides to answer on the behalf of its members to update proposals on following areas (attachments):

- Attachment #A: Anonymous Trading
- Attachment #C: Disclosures
- Attachment #D: FX Settlement Risk

ASSIOM FOREX welcomes and supports the effort of the GFXC to improve, strengthened and update the FX Global Code, considering this as a crucial step to support a robust, fair, liquid and transparent market. For this reason ASSIOM FOREX is definitely in favor of the update of ten principles of the 55 within the code with the aim of (i) ensuring a clear and correct disclosure of information, (ii) stressing a correct measurement, control and monitoring of Settlement risk, (iii) adapting the code to best market practices. At the same time, ASSIOM FOREX expresses some doubts about the proposal of the "Disclosures Cover Sheet for Liquidity Providers" since, given the current understanding and adherence to the code, it could bring some side effects that would undermine the principle of proportionality incorporated within the FX Global Code.

In order to fully express the expertise and nature of involvement in the FX market of its members, ASSIOM FOREX decides to not provide any feedback regarding "Attachment B: Algorithmic Trading/Transaction Cost Analysis".

Questions for Feedback

Attachment A: Anonymous Trading

<u>Data policies</u>

A1 Do you agree with the proposed Data-related addition to Principle 9?

Yes, we do agree on the proposed addition as it contributes to enhance transparency in the market.

Tag management

A2 Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?

Yes, we do agree on the proposed addition as it contributes to enhance transparency in the market and clarity on Tagging & "Re-tagging" practices. An example may help to better qualify the objective of "fit for purpose" and avoiding bad conduct in re-tagging practice.

Credit policies

A3 Do you agree with the proposed Credit-related additions to Principles 29 and 41?

Yes we do agree on the proposed additions, introducing a disclosure layer for credit limits policies and management.

Identification of Code signatories on anonymous trading platforms

A4.1 Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?

Yes we do agree. Identification of Code Signatory contributes to higher visibility of the Code in the industry and can foster adoption of the Code itself.

A4.2 Do you agree with the included footnote to the proposed addition to Principle 22?

Yes we do agree. Responsibility of conveying and updating accurate signatory status entirely relies on the user. Platforms should only represent the information collected from the users.

A4.3 Do you agree with the added example to Annex 1, which would map to Principle 22?

Yes we do agree.

Attachment C: Disclosures

Liquidity Provider Cover Sheet

C1.1 Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?

Disagree. We definitely support the effort of the GFXC to promote an higher level of disclosure and transparency by increasing the availability, comparability and readability of information. Nevertheless, a standardized Liquidity Cover Sheet for Liquidity providers could be –at the time being- in contrast with the principle of proportionality, which is at the base of the code.

As an example, we strongly believe that a comparison between liquidity providers of different dimension, involved in the FX market, business cases throughout a simplified pro-forma would not be adequate. An excessive standardization and simplification could lead to potential side effects in the decision processes within the FX Market.

A standardized Cover Sheet for Liquidity Providers would not bear the risk of side effects, only when all Market participants will fully understand, respect, practically implement and adhere to the principle of the Code. At the time being, creating a standardized instrument such as a Disclosures Cover Sheet for Liquidity Providers would appear as premature, especially if considered as an instrument for end-users not yet able to judge the respect and implication of the code among different Market Participants.

Despite the completion of the cover sheet will be done on voluntary basis, at the time being Market Participants will assign an high reputational weight to it and could be reluctant to public post it alongside the Statement of Commitment.

C1.2 Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?

Please refer to answer C1.1

<u>E-Trading Platform Cover Sheet</u>

C2.1 Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?

Agree. Differently from the Disclosures Cover Sheet for Liquidity Providers, in the case of E-Trading platforms we believe that the introduction of a Disclosure Cover Sheet would improve transparency and comparability with a reduced level of side effects. This opinion is based on the assumptions that regarding E-Trading platforms a high level of comparability and standardization are already present.

C2.2 Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet
(annex 2)?

The proposed E-Trading Platform Cover Sheet appear more as a simplified introduction to the E-Platform rather than a disclosure effort. The different sections appear easy to be filled-in on one side and read and compared by end-users on the other side. The content and the format indicated fully reflect the effort of the FXCG to increase clarity and readability of information.

<u>Trade rejection information</u>

C3 Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?

Agree. We do support modification occurred to the code in order to increase transparency on how orders have been handled and transacted. The modification is coherent with the aim of the Code to cover the entire timeframe related to a trade, from pre-trade to post trade.

Handling Confidential Information

C4 Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?

Agree. We do support additional guidance on handling and disclosing confidential information. Despite the provision appears too generic if considered as stand-alone, it contributes to stress the importance to have clear, easily accessible and understandable disclosures regarding trade execution and information.

Attachment D: FX Settlement Risk

D1 Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?

Principle 35. Agree. The principle assumes a more practical perspective by identifying in the PVP (payment-vs-payment) system the principal mean to reduce FX Settlement risks. Moreover, the stress on PVP systems marks all the other solutions as not adequate thus leading FX market participants to scale back as much as practicable from alternative transactions, counterparts, exposures. After the changes, this principle assumes more the meaning of a mandatory requirements than a best practice. Nevertheless it fully reflects requirements and standards already in place into the market.

Principle 50. Partially agree. Rewording of Principle 50 could appear misleading in the following part "equivalently to other counterparty credit exposures of similar size and duration". Before compare FX Settlement risk with other kinds of risk exposures, it is advisable to clearly state which are the instruments of the measurement, monitoring and control. Once having defined those instruments, comparison would be more straightforward and easier to understand. Moreover, the other credit exposures need to be better explained with some practical examples, in order to make them easily comparable with exposures related to settlement risk.

Principle 53. Totally agree. This change shifts the perspective of the principle itself, from a single market participant's one to a systemic one. This shift is totally in line with the aim of applying the code at a global level to all FX Market participants. A correct measurement and control of risk at entity level contributes to the smooth functioning of the market, reducing the risk of spillovers effects and contagions and supporting the liquidity of the market.

Annex 1 – Questions for Feedback

Attachment A: Anonymous Trading

Data policies

A1	Do you agree with the proposed Data-related addition to Principle 9?	Yes

Tag management

A2	Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?	Yes

Credit policies

A3	Do you agree with the proposed Credit-related additions to Principles 29 and 41?	Yes

Identification of Code signatories on anonymous trading platforms

A4.1	Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?	Yes
A4.2	Do you agree with the included footnote to the proposed addition to Principle 22?	
A4.3	Do you agree with the added example to Annex 1, which would map to Principle 22?	Yes

A4.2 - We would prefer to be asked to recertify annually instead.

Attachment B: Execution Algorithms and Transaction Cost Analysis

B1	When providing feedback, please state your relationship to algorithmic execution:
	☐ Algo Provider ☑ Algo User ☐ Technology/data provider ☐ Other

Transaction Cost Analysis Data Template

B2.1	Will you use the template? If not, why not? Yes as a client; subject to internal systems and other firm requirements.	
B2.2	Which version of the template do you prefer?	
	☐ aspirational ☑ basic	
B2.3	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).	n/a
B2.4	Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?	Subject to internal systems, capacity and other firm requirements.
	Aspirational version (in months): .. basic version (in months): ..	
B2.5	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?	n/a
B2.6	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?	n/a

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage market participants to use the data template

B2.7	Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?	n/a

Amendment of Principle 18 to cover conflicts of interest

B3	Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?	n/a

Algo Due Diligence Template

B4.1	Will you use the template? If not, why not? Yes, as a client.	
B4.2	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).	n/a
B4.3	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?	n/a
B4.4	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?	n/a

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template

B5	Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?	n/a

Additional entries for the Code's glossary

B6.1	Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?	Yes
B6.2	Do you agree with the definition of algorithmic execution? If not, what would you change?	Yes
B6.3	Do you agree with the definition of aggregation services? If not, what would you change?	Yes

Attachment C: Disclosures

Liquidity Provider Cover Sheet

C1.1	Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?	Yes
C1.2	Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?	n/a

E-Trading Platform Cover Sheet

C2.1	Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?	Yes
C2.2	Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?	n/a

Trade rejection information

C3	Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?	Yes

Handling Confidential Information

C4	Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?	Yes

Attachment D: FX Settlement Risk

D1	Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?	Yes

Baton
Payments accelerated

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Global Foreign Exchange Committee

Dated: May 2nd , 2021

Attention: Committee for Payments and Market Infrastructure

Filed Electronically to: codefeedback@globalfxc.org

Re: *Request for Feedback - April 2021'*

Dear GFXC Team,

Baton Systems is pleased to provide feedback for the GFXC's amendments to the Global code and Introduction or related cover sheets and templates. We have chosen to only give feedback on Attachment #D - FX Settlement Risk. We do see a lot of merit in the proposed other three areas that the GFXC is making.

Our comments in this submission are based on expertise we have gained by working with various financial institutions in payments and settlements. Our detailed response to the committee's questions is attached with this letter. We look forward to participating in the discussions with the GFXC and all stakeholders.

Thank you,

Arjun Jayaram
CEO and Founder,
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Background about Baton Systems

Baton Systems ("Baton") is a software company that develops payment solutions for capital markets. Several large global banks are already using the Baton platform for faster clearing and settlement of over $10 billion daily in cash (17 currencies) and securities across the Americas, Asia and Europe. While the Baton platform has a distributed ledger, our solutions deliver faster PvP settlement of real assets in real bank accounts without the need for crypto assets or tokenization in under three minutes with settlement finality

Our experienced leadership team has worked with many other global payment experts in developing a set of operating rules and settlement finality opinions that fit in with the electronic funds transfers rules across multiple jurisdictions.

At Baton Systems, we built systems using a shared permissioned ledger (Distributed Ledger) that helps banks settle FX in a safe and efficient manner by offering a set of netting and payment strategies, including the following:

- Monitoring of Liquidity across funding sources
- Continuous netting with configurations to close a netting group on a threshold or frequency basis
- Bilateral and multilateral netting with confirmations
- Exception management between counterparties using the distributed ledger with a shared view of the data
- Near 24 hours safe settlement strategies such as PvP, PoP, conditional payments and always moving real currency in real accounts

Our FX settlement solutions have been in production for 2+ years with our settling participants, and Baton has received significant positive feedback from the regulators with whom we have shared information with.

Baton's Response to Attachment 4

1.0 Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?

Here, we look at the proposed changes in Principle 35, Principle 50 and Principle 53. Below, we provide some context to our comments:

FX is the largest global OTC market which operates on a 24 hour basis and has a very complex ecosystem, including:

1. Pre Trading Agreements with Prime Brokers, Settlement and Credit Limits that are per currency and at an overall entity level
2. Nostro Accounts that are used in various correspondent banks, each with liquidity demands to meet the settlements. Settlements require these SSIs be managed across counterparties.
3. Multiple Trading Venues
4. Trade Confirmation and Netting Agreements between counterparties
5. Monitoring and managing liquidity through the settlement process subject to the different cut off times.
6. Settling FX either through CLS (if currency pairs and counterparties are eligible to settle in CLS) or bilaterally through settlement banks
7. Reconciling payments which is usually done the next day (as counter currency cutoff times may not match)

The BIS Report on FX Trade Execution highlights the fragmented nature and the concentration of risks in a few venues. Organizations where risks are concentrated are large complex global organizations. They have legacy business processes, systems, message standards and access protocols even across legal entities. These complex intertwined business processes, systems, data, funding accounts both within a bank and across banks make settlement processes much harder. Even sophisticated settlement venues such as CLS only tackle the last mile problem for a select set of currencies between a select set of members who are eligible to settle using CLS.

We believe that the role that organizations such as the GFXC and the BIS play are very important. The systems to solve these problems exist today. We believe that rules need to be more objective and narrowed in focus. To this regard, we wish to highlight the following:

1. We appreciate the changes proposed for Principle 35, 50 and 53. The changes proposed are more objective and prescriptive. This reduces the room for interpretation. We think in some areas, it can be more prescriptive (we have provided that in the feedback)
2. We think the GFXC should also consider changes to Principal 39 (timely and accurate record of transactions), Principle 41 (extend to not just monitoring risks, but also checks to mitigating risks), Principle 46, 47, 48, 49 (we think confirmations and legacy processes poses a problem). We request the GFXC to consider amendments to these principles as well. We would like to give our feedback on these areas in a closed session with the GFXC.
3. We think Netting for FX is a topic that the GFXC should review in more detail. In the recent past, FX volumes have gone up significantly, mainly on emerging currencies where CLS is not an option. These are also currencies where liquidity, none to short overlap in cut off times, higher settlement risks exist. Better and more frequent netting needs to be explored. We have started setting adoption of continuous netting with threshold and frequency based configurations between counterparties. We request the GFXC to have views on this and invite a new RFC from market participants. Here again, we would like to give our feedback on these areas in a closed session with the GFXC
4. We thank the GFXC for the leadership role and taking action to help resolve these problems.

Principle 35

We agree with the proposed changes in Principle 35. We break our feedback on separate sections of the text

Text: *Market Participants should take prudent measures to manage and reduce their Settlement Risks as much as practicable, including by settling FX transactions through services that provide PVP settlement where available prompt resolution measures to minimise disruption to trading activities.*

Change to: *Market Participants should take prudent measures to* ***measure****, manage and reduce their Settlement Risks as much as practicable.* ***This includes*** *~~including by~~ settling FX transactions through services that provide safe settlement options such as PVP* *settlement where available prompt resolution measures and* ***prompt reconciliation*** *to minimise disruption to trading activities*.

Baton's comments:

1. While "measurement" is mentioned in Principle 50, it is in the context of equivalency to counterparty credit exposure, we believe that measurement of risk in near real time in the context of general settlement risk is important. We feel that banks have this data, but it is across different siloed systems in a bank. When they implement a system where this data is normalized and viewed in real time, it shines the spotlight in the risks. We believe that to control settlement risk, visibility of the risk is prerequisite
2. Disruption in trading activities are associated with breaches in limits, failed or late settlements. Monitoring of limits is covered in the first bullet item. Reconciliation and Resolution are important processes to deal with failed or late settlements. Hence, we recommend the addition of the text in blue to the changes

Text: *Whenever practicable, Market participants should eliminate Settlement Risk by using settlement services that provide payment-versus-payment (PVP) settlement. Where PVP settlement is not used, Market Participants should reduce the size and duration of their Settlement Risk as much as practicable. The netting of FX settlement obligations (including the use of automated settlement netting systems) is encouraged. Where used by Market Participants, a process of settling payments on a net basis should be supported by appropriate documentation. Such obligation netting may be bilateral or multilateral.*

Change to *Whenever practicable, Market participants should eliminate Settlement Risk by using settlement services that provide payment-versus-payment (PVP) settlement. Where PVP settlement is not used, Market Participants should reduce the size and duration of their Settlement Risk as much as practicable* ***by steps such as limiting the exposures by counterparty or currency or by settling multiple times a day where possible*** *. The netting of FX settlement obligations (including the use of automated settlement netting systems) is encouraged. Where used by Market Participants, a process of settling payments on a net basis should be supported by appropriate documentation* ***and audit capability****. Such obligation netting may be bilateral or multilateral.*

Baton's comments:

1. In some business cases for a bank such as an agency model, PvP may not be possible with the client. In these cases, we have seen that safe settlement processes can be practiced by enabling "Payment upon payment" where the payment of outbound leg from the bank to the client in a delivered currency can be automated, but released only when the inbound receive leg from the client has been credited.
2. We think auditability is required as several discrepancies between banks on certain trade economics are confirmed using manual processes including emails and faxes. We believe that automation and auditability at this level using standard ISO20022 messages is required.

General comment: We think the comment "*If a counterparty's chosen method of settlement prevents a Market Participant from reducing its Settlement Risk (for example, a counterparty does not participate in PVP arrangements or does not agree to use obligation netting), then the Market Participant should consider decreasing its exposure limit to the counterparty or creating incentives for the counterparty to modify its FX settlement methods*" is well thought out and timely.

Principle 50

Text: "Market Participants should properly measure, and monitor and control their Settlement Risk and seek to mitigate that risk when possible equivalently to other counterparty credit exposures of similar size and duration"

Change to *"Market Participants should properly measure, and monitor and control their Settlement Risk and seek to mitigate that risk when possible equivalently to other counterparty credit exposures* ***~~of similar size and duration~~****"*

1. We agree with the amendments to the principle, but do not see the need to limit it to similar size and duration. Volume spikes, market volatility and associated risks can jump quite easily in the world of algorithmic trading. So we think the measurement and controls should apply to all counterparties.

Text: "To avoid underestimating the size and duration of exposures, Market Participants should recognize that Settlement Risk exposure to their counterparty begins when a payment order on the currency it sold can no longer be recalled or cancelled with certainty, which may be before the settlement date. Market Participants should also recognize that funds might not have been received until it is confirmed that the trade has settled with finality during the reconciliation process"

Change to: *"To avoid underestimating the size and duration of exposures, Market Participants should recognize that Settlement Risk exposure to their counterparty begins when a payment order on the currency it sold can no longer be recalled or cancelled with certainty, which may be before the settlement date. Market Participants should also recognize that funds might not have been received until it is confirmed that the trade has settled with finality during the reconciliation process.* ***Whenever this happens, Market participants are encouraged to measure the size and duration of such exposures.****"*

1. At Baton Systems, for transactions that are not settled through PvP (where counterparty has not agreed), we developed measurements as “Risk time window per transaction”, “average settlement risk by currency”, “average settlement risk by counterparty” etc. We think these types of risk measures help measure and mitigate risks with counterparties.

We agree with the GFXC’s comments in this section.

- *“Where PVP settlement is not used, Settlement Risk should be properly measured, monitored and controlled. Market Participants should set binding ex ante limits and use controls equivalent to other credit exposures of similar size and duration to the same counterparty”*

Principle 53

Text: *"Market Participants should appropriately manage their funding needs and ensure that they are able to meet their FX payment obligations on time. A Market Participant's failure to meet its FX payment obligations in a timely manner may impair the ability of one, or more, counterparties to complete their own settlement, and may lead to liquidity dislocations and disruptions in the payment and settlement systems"*

Change to *"Market Participants should appropriately* ***measure in near real time*** *and manage their funding needs and ensure that they are able to meet their FX payment obligations on time. A Market Participant's failure to meet its FX payment obligations in a timely manner may impair the ability of one, or more, counterparties to complete their own settlement, and may lead to liquidity dislocations and disruptions in the payment and settlement systems"*

Baton's comments:

1. We have seen that visibility into Nostro balances is quite poor in a bank. It leads to either excess funds leading to liquidity charges (therefore increasing the overall cost per transaction to settle) or a shortage of liquidity leading to either failed settlement or expensive overdraft charges
2. Most correspondent banks do not have a good way to report balances in real time which makes this harder. These correspondent bank accounts are used across business lines in a bank where payment obligations across business lines is not transparent. Hence availability of sufficient balance at a point in time does not guarantee that there will be no liquidity challenges when it comes time to settle FX obligations. These problems seem to be more severe in emerging markets and we were tasked to find a solution for some large banks. We at Baton Systems created tools (real time settlement monitors) and payment analytics which have brought a lot of efficiencies to banks. It highlights that there is a big, high risk and expensive problem in the area of liquidity management and settlement risks for FX.

CITADEL | Securities

May 7, 2021

GFXC Secretariat
Global Foreign Exchange Committee

Re: GFXC Request for Feedback on Amendments to the FX Global Code

Dear Sirs:

Citadel Securities appreciates the opportunity to provide feedback to the Global Foreign Exchange Committee (the "GFXC") on proposed revisions to the FX Global Code (the "Code").[1] We strongly support the GFXC's commitment to regularly reviewing the Code and its implementation by market participants. Below, we provide specific recommendations to further refine the proposed revisions to the Code in order to enhance transparency, fairness, and competition in foreign exchange ("FX") markets. Specifically, we:

- support providing market-standard disclosures to market participants transacting on anonymous trading platforms, and recommend that this include the "last look" disclosures contemplated by the Code;
- highlight the need for a post-trade consolidated tape in order to enable clients to accurately assess execution quality and to direct order flow on the merits; and
- recommend that liquidity providers be required to disclose the length of the entire "last look" window in order to provide meaningful transparency to clients.

A. Anonymous Trading Proposals

We support enhancements to the Code designed to ensure that market participants transacting on anonymous trading platforms receive market-standard disclosures to the maximum extent practicable. As such, we strongly support requiring an anonymous trading platform to disclose whether each of its users has adhered to the current version of the Code and recommend strengthening the proposed language in Principle 22, which could be read as voluntary.

In addition, liquidity providers operating on anonymous trading platforms should not be exempt from providing the "last look" disclosures contemplated by the Code given the importance of these disclosures to market participants. For example, Code Principle 17 requires liquidity providers to fully disclose any "cover and deal" trading activity that utilizes information from the client's trade request during the last look window. The Code should clarify that this required disclosure must also occur on anonymous trading platforms, with the platform operator facilitating the provision of the disclosure on an anonymous basis but the liquidity provider entirely responsible for its accuracy.

[1] https://www.globalfxc.org/docs/gfxc_request_feedback_april2021.pdf.

B. Transaction Cost Analysis Proposals

We commend the GFXC for seeking to improve the ability of clients to accurately assess execution quality and to direct order flow on the merits. However, the key impediment to effective transaction cost analysis in the FX market is the lack of comprehensive publicly reported post-trade data.

Despite being one of the largest and most liquid markets in the world, FX transactions are not comprehensively publicly reported post-trade (with limited exceptions, such as non-deliverable forwards regulated by the U.S. CFTC). This lack of transparency is in stark contrast to other asset classes, where comprehensive and real-time post-trade transparency has been introduced in many jurisdictions for equities, options, futures, bonds, and OTC derivatives.

Academic research has found that comprehensive and real-time post-trade transparency has delivered tangible benefits to investors.[2] Importantly, these benefits include enabling clients to accurately assess execution quality. In turn, the removal of information asymmetries allows clients to hold liquidity providers more accountable, increases market competition and reduces transaction costs. Academic research has found that post-trade transparency can even improve liquidity conditions for large block trades, debunking a concern frequently cited by those opposed to greater transparency.[3]

A comprehensive and real-time post-trade consolidated tape would also increase the soundness, efficiency and resiliency of the FX market. For example, regulators would have timely access to market-wide trading data, assisting in the analysis of specific market events and improving general monitoring and surveillance capabilities. In addition, a post-trade consolidated tape would facilitate the emergence of more robust benchmarks commonly used in other asset classes, thereby reducing reliance on the antiquated WMR benchmark.

We urge the GFXC to prioritize an assessment of how to meaningfully improve post-trade transparency in the FX market, and to issue a public consultation on a post-trade consolidated tape. We note that recent consultations in both the US and EU demonstrate the broad and diverse support for post-trade consolidated tapes in fixed income markets.[4] As electronic trading activity in the

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[2] *See, e.g.,* Asquith, P., et al., "The Effects of Mandatory Transparency in Financial Market Design: Evidence from the Corporate Bond Market" (April 2019) at page 29, available at: https://www.nber.org/papers/w19417; Jacobsen, S., et al., "Does trade reporting improve market quality in an institutional market? Evidence from 144A corporate bonds" (2018) at pages 1 and 7, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3171056; and Loon, Y. C., Zhong, Z. K. The impact of central clearing on counterparty risk, liquidity, and trading: Evidence from the credit default swap market. Journal of Financial Economics (2013), available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2176561.

[3] Jacobsen, S., et al., "Does trade reporting improve market quality in an institutional market? Evidence from 144A corporate bonds" (2018) at pages 1 and 7, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3171056.

[4] *See* https://www.finra.org/rules-guidance/notices/19-12#comments, https://www.cftc.gov/sites/default/files/2020/11/2020-21568a.pdf at 75444, and http://marketstructure.co.uk/our-work/eu-consolidated-tape/?utm_source=%27newsletter%27&utm_medium=%27email%27&utm_campaign=%27EU+Consolidated+Tape+Report+Published+Today+%7C+Market+Structure+Partners%27.

FX market continues to migrate away from central order book venues to more bilateral trading protocols, it is critical that market participants have access to comprehensive data regarding market-wide trading activity.

C. Disclosure Proposals

We support efforts to further standardize liquidity provider disclosures in order to enable market participants to make better informed decisions. However, we are concerned that the proposed "last look" disclosures are incomplete, and risk providing misleading information to market participants. In particular, the proposed disclosures contemplate liquidity providers providing maximum and minimum "hold times."[5] While this term is not defined, it does not appear to take into account that the time required to conduct an initial price check may vary significantly between liquidity providers. As a result, solely disclosing "hold times" that follow an initial price check may provide an inaccurate and misleading indication of how long it takes for a liquidity provider to respond to a client trade request.

We strongly recommend that liquidity providers instead disclose maximum and minimum durations for the entire last look window, which is the most important consideration for clients. Additional granularity could then be provided regarding specific components of the last look window, such as the price check, validity check, and additional hold times. However, it is critical that clients are able to accurately compare liquidity providers on total response times.

* * * * * * * * * *

We appreciate the opportunity to provide comments on the FX Global Code to the GFXC. Please feel free to call the undersigned at (646) 403-8200 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy

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[5] See Section C(3) of "Annex 1: Template - Disclosure Cover Sheet for Liquidity Providers"

6 May 2021

Via Electronic Mail

Global Foreign Exchange Committee
Email: codefeedback@globalfxc.org

Re: GFXC Request for Feedback on Amendments to the FX Global Code and the Introduction of Related Cover Sheets and Templates

Ladies and Gentlemen:

CLS Bank International ("CLS") welcomes the opportunity to respond to certain questions set forth in the Global Foreign Exchange Committee's ("GFXC") request for feedback on amendments to the FX Global Code (the "Code"). Specifically, our response letter focuses on the proposed changes to the Code's guidance on the management of settlement risk, set forth in Attachment D.

I. Background

CLS was established via a public-private partnership to mitigate settlement risk (loss of principal) associated with the settlement of payments relating to foreign exchange ("FX") transactions, and is the operator of a financial market infrastructure ("FMI") that is the predominant settlement system for FX transactions ("CLSSettlement"). CLSSettlement is the world's largest multicurrency cash settlement system, providing payment-versus-payment ("PvP") settlement in 18 currencies to more than 70 direct participants, some of which provide access to the CLS system for over 28,000 indirect participants. CLS is an Edge Act corporation organized under the laws of the United States and is regulated by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (collectively referred to as the "Federal Reserve"). Furthermore, the 23 central banks whose currencies settle in CLSSettlement established the CLS Oversight Committee, organized and administered by the Federal Reserve.[1] The CLS Oversight Committee operates in accordance with the Protocol for the Cooperative Oversight Arrangement of CLS (the "CLS Protocol").[2] As a systemically important FMI, CLS is also subject to the April 2012 CPSS-IOSCO Principles for financial market infrastructures, as applicable to payment systems.

CLS is represented on the following local Foreign Exchange Committees ("FXC"): the New York FXC, and its Operations Managers Working Group and Financial Markets Lawyers Group; the London Foreign Exchange Joint Standing Committee, and its Operations and Legal Subcommittees; and the Tokyo Foreign Exchange Market Committee.

II. CLS's Response to the Proposed FX Settlement Risk Amendments

We are responding to Question D1: "Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?" CLS supports the proposed changes and the reorganization of principles 35, 50, and 53, particularly: 1) the greater emphasis placed on the use of PvP settlement mechanisms, where available; and 2) the encouragement of netting FX

[1] In addition to the European Central Bank, the CLS Oversight Committee also includes five other Eurosystem central banks (Belgium, France, Germany, Italy, and the Netherlands), which brings the total to 23 central bank members of the CLS Oversight Committee.

[2] https://www.federalreserve.gov/paymentsystems/cls_protocol.htm

settlement obligations (including the use of automated settlement netting systems) should PvP settlement mechanisms not be available.

The December 2019 BIS Quarterly Review concluded that a significant portion of the global FX market continues to be settled without PvP protection.[3] Of the USD18.7 trillion of daily gross FX payment obligations, USD8.9 trillion of payments (approximately half) are at risk. While the decline in the proportion of FX transactions settled with PvP protection is partly explained by the growth in currencies not currently eligible for settlement in CLS, the BIS data also suggests that a significant percentage of trades in CLS-eligible currencies are also settled without PvP protection.

CLS and the policymaker community are taking action to better understand the true scope of FX settlement risk in global financial markets and to encourage PvP adoption for both CLS-eligible and non-eligible currencies. The potential inclusion of settlement risk/method questions in the FX turnover surveys of local FXCs and the inclusion of building block 9 “Facilitating increased adoption of PvP”, and related action items, in the Financial Stability Board’s/CPMI’s Cross-Border Payments Roadmap are two notable examples.

Further, CLS carried out a deep-dive exercise with a global bank Settlement Member (“SM”) for the purpose of understanding how FX trades are settled in the 18 CLS-eligible currencies. CLS plans to complete two additional data analysis exercises with different SMs in 2021, which will enable CLS to: validate findings; produce aggregated, anonymised data points; and contribute the combined findings/conclusions towards a range of key policy initiatives (e.g., better data on settlement methods). For non-eligible currencies, CLS created a working group of over 10 SMs with global operations to evaluate market demand and potential PvP solutions. Initial feedback from working group participants indicated strong interest in a new PvP solution, and a pilot exercise is currently underway. We look forward to updating the GFXC and its members on both of these initiatives in due course.

Despite these efforts, we believe greater action is required to address remaining FX settlement risk. The proposed amendments to the settlement risk principles of the Code rightly place greater emphasis on the use of PvP settlement mechanisms, where available. CLS also welcomes the amendments promoting the netting of settlement obligations (including the use of automated settlement netting systems), supported by appropriate documentation, should PvP settlement mechanisms not be available.[4]

We appreciate the GFXC’s consideration of the views set forth in this letter and welcome further engagement as part of this consultation process and more generally, via our continued participation in local FXCs.

Kind regards,

Marc Bayle de Jessé
Chief Executive Officer

[3] bis.org/publ/qtrpdf/r_qt1912x.htm

[4] CLSNet, a bilateral payment netting solution offered for approximately 120 currencies, was created in this same spirit, and seeks to mitigate settlement risk for trades not settling in CLS, while also enabling real-time awareness of currency and counterparty exposures.

Cc:

Dino Kos, Special Advisor
John Hagon, Chief Operating Officer
Gaynor Wood, General Counsel
Dan Lennon, U.S. Head of Operations
Makoto Miyazaki, General Manager – Japan & Korea
David Trapani, Head of U.S. Legal
Alicia Krebs, Head of Public Policy
Kerry Denerstein, Public Policy Lead

Annex 1 – Questions for Feedback Attachment A: Anonymous Trading

Data policies

A1 Do you agree with the proposed Datarelated addition to Principle 9? YES

Tag management

A2 Do you agree with the proposed Tagrelated additions to Principles 9, 19 and 22? YES

Credit policies

A3 Do you agree with the proposed Creditrelated additions to Principles 29 and 41? YES

Identification of Code signatories on anonymous trading platforms

A4.1 Do you agree with the proposed Identification of Code Signatoryrelated addition to Pri nciple 22? YES

A4.2 Do you agree with the included footnote to the proposed addition to Principle 22? NO

A4.3 Do you agree with the added example to Annex 1, which would map to Principle 22? N O

Attachment B: Execution Algorithms and Transaction Cost Analysis

B1 When providing feedback, please state your relationship to algorithmic execution:

o Algo Provider   o Algo User   o Technology/data provider   o Other   Transaction Cost Analysis Data Template Not using or offering algo trading

B2.1 Will you use the template? If not, why not? Not involved yet but would use it if any

B2.2 Which version of the template do you prefer?   o aspirational   o basic

B2.3 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not nece ssary) and substantiate your comment(s). NO

B2.4 Following the publication of the new version of the FX Global Code, how much time w ould you need in order to be able to provide/take data in the proposed format?   Aspirational version (in months): ..   basic version (in months): .. Not applicable

B2.5 Do you have any comments on the proposals regarding implementation, maintenance and measuring success? NO

B2.6 In case you are a neutral market body, would you be interested in supporting the GFX C in operationalising these proposals? What could you contribute? NO

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to enco urage market participants to use the data template

B2.7 Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template? NO

Amendment of Principle 18 to cover conflicts of interest

B3 Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest? NO

Algo Due Diligence Template

B4.1 Will you use the template? If not, why not? YES but currently we are not algo user

B4.2 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s). NO

B4.3 Do you have any comments on the proposals regarding implementation, maintenance and measuring success? NO

B4.4 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute? NO

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template

B5 Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template? NO

Additional entries for the Code's glossary

B6.1 Do you agree with the definition of Transaction Cost Analysis? If not, what would you change? YES

B6.2 Do you agree with the definition of algorithmic execution? If not, what would you change? YES

B6.3 Do you agree with the definition of aggregation services? If not, what would you change? YES

Attachment C: Disclosures

Liquidity Provider Cover Sheet

C1.1 Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers? YES

C1.2 Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)? NO

ETrading Platform Cover Sheet

C2.1 Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms? YES

C2.2 Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)? NO

Trade rejection information

C3 Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36? YES

Handling Confidential Information

C4 Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19? YES

Attachment D: FX Settlement Risk

D1 Do you agree with the proposed changes to the Code’s guidance on the management of settlement risk? YES

By Email

Attn: Global Foreign Exchange Committee Secretariat (codefeedback@globalfxc.org)

Amsterdam, 7 May 2021

RE: GFXC Request for Feedback on Amendments to the FX Global Code and the Introduction of Related Cover Sheets and Templates – April 2021 ("Request for Feedback")

Dear Sir/Madam,

Flow Traders B.V. ("Flow Traders") appreciates the opportunity to respond to GFXC Request for Feedback on the amendments regarding Anonymous Trading and Disclosures. Flow Traders is a MiFID II investment firm licensed with the Netherlands Authority for the Financial Markets ("AFM") to deal on own account. We are a technology company operating in the financial ecosystem, using our proprietary technology platform to quote bid and ask prices in various asset classes, including FX, under virtually all market circumstances.

In this response we specifically point to the section on Disclosure of Liquidity Provider Cover Sheet. We feel this section requires more context. Predominantly because any answer on the questions will not allow the end user to understand the context within which a liquidity provider may pre-hedge. We suggest to give more context to the reasoning behind this amendment, draft a different set of precise questions and reformulate the proposed text.

Please find below Flow Traders' detailed responses:

	Questions	Flow Traders' Response
Attachment A: Anonymous Trading		
Data Policies		
A1	Do you agree with the proposed Data- related addition to Principle 9?	Yes, we agree with the proposed changes.
Tag Management		
A2	Do you agree with the proposed Tag- related additions to Principles 9, 19 and 22?	Yes, we agree with the proposed changes.
Credit Policies		
A3	Do you agree with the proposed Credit- related additions to Principles 29 and 41?	Yes, we agree with the proposed changes.
Identification of Code signatories on anonymous trading platforms		
A4.1	Do you agree with the proposed Identification of Code Signatory- related addition to Principle 22?	Yes, we agree with the proposed changes.
A4.2	Do you agree with the included footnote to the proposed addition to Principle 22?	Yes, we agree with the proposed changes.
A4.3	Do you agree with the added example to Annex 1, which would map to Principle 22?	Yes, we agree with the proposed changes.
Attachment B: Execution Algorithms and Transaction Cost Analysis		
We do not have any comments on Attachment B.		

Attachment C: Disclosures		
Liquidity Provider Cover Sheet		
C1.1	Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?	Yes.
C1.2	Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?	We feel that the section on Pre-Hedging requires more thought. Pre-Hedging is only relevant in certain types of business. The way the current Cover Sheet is laid out does not give adequate context to the end user of the information. Question III of the Pre-hedging section of the Cover Sheet requires LP to hyperlink their disclosure. Could the GFXC provide guidance on items need to be included in such pre-hedging disclosure?
E-Trading Platform Cover Sheet		
C2.1	Do you support the introduction a Disclosures Cover Sheet for E- Trading Platforms?	Yes.
C2.2	Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?	We have no comments on this.
Trade rejection information		
C3	Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?	Yes.
Handling Confidential Information		
C4	Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?	Yes.
Attachment D: FX Settlement Risk		
We do not have any comments on Attachment D.		

Thank you for considering our suggestions.

For more information please do not hesitate to contact us: nlemmers@flowtraders.com or jmathew@flowtraders.com - ***T. +31 20 799 6498.***

*****

From : Hiroshi Itoh <hitoh@fukoku-life.com.sg>
Subject : Feedback for GXFC's Apr 2021 survey
To : codefeedback@globalfxc.org
Cc : Junya Morizane <jmorizane@fukoku-life.com.sg>, Junpei Nishimaki <jnishimaki@fukoku-life.com.sg>

Dear sir,

We are Fukoku Life Investments Singapore.
We submit our feedback as below.

	Your Question	Answer
A1	Do you agree with the proposed Data-related addition to Principle 9?	Yes
A2	Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?	Yes
A3	Do you agree with the proposed Credit-related additions to Principles 29 and 41?	Yes
A4.1	Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?	Yes
A4.2	Do you agree with the included footnote to the proposed addition to Principle 22?	Yes
A4.3	Do you agree with the added example to Annex 1, which would map to Principle 22?	Yes
B1	When providing feedback, please state your relationship to algorithmic execution: ☐ Algo Provider ☐ Algo User ☐ Technology/data provider ☐ Other	Other
B2.1	Will you use the template? If not, why not?	N/A
B2.2	Which version of the template do you prefer? ☐ aspirational ☐ basic	N/A
B2.3	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).	No
B2.4	Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format? Aspirational version (in months): .. basic version (in months): ..	N/A
B2.5	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?	No
B2.6	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?	N/A
B2.7	Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?	No
B3	Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?	No
B4.1	Will you use the template? If not, why not?	N/A
B4.2	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).	No
B4.3	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?	No
B4.4	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?	N/A
B5	Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?	No
B6.1	Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?	Yes
B6.2	Do you agree with the definition of algorithmic execution? If not, what would you change?	Yes
B6.3	Do you agree with the definition of aggregation services? If not, what would you change?	Yes
C1.1	Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?	Yes
C1.2	Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?	No
C2.1	Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?	Yes
C2.2	Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?	No
C3	Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?	Yes
C4	Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?	Yes
D1	Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?	Yes

Thank you.

Best Regards,

Itoh
****
Hiroshi ITOH
Fukoku Life Investments Singapore Pte. Ltd.
80 Robinson Road #16-04 Singapore 068898
TEL:+65-6220-8308 FAX:+65-6220-8736
Email: hitoh@fukoku-life.com.sg
****

fxpa
Foreign Exchange
Professionals Association

May 7, 2021

Global Foreign Exchange Committee Secretariat
Sent via email: codefeedback@globalfxc.org

RE: Request for Feedback on Amendments to the FX Global Code and the Introduction of Related Cover Sheets and Templates

Dear GFXC Secretariat,

The Foreign Exchange Professionals Association (FXPA)[1] appreciates the opportunity to provide feedback to the Global Foreign Exchange Committee (GFXC) on the amendments to the FX Global Code (the Code) and the introduction of related cover sheets and templates.[2]

The FXPA remains a strong supporter of the Code and its stated aim to promote a robust, fair, liquid, open, and transparent market, which is very much in line with FXPA's own principles. As we committed in 2017, the FXPA, as an Association, fully supports the adoption of the Global Code's principles.[3]

The FXPA applauds the GFXC's effort to further transparency and stability in the foreign exchange (FX) market through updates to the Code's guidance. Any additional guidance, though, should continue to follow the Code's principles-based approach. To the extent the amendments, cover sheets, and templates appear more like regulatory technical standards, the FXPA cautions the GFXC from adopting changes that will make it harder – not easier – for market participants to commit and adhere to the Code.

The FXPA would like to offer a few overall observations and then respond to the GFXC's specific questions on the proposed updates.

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[1] The FXPA represents the collective interests of professional FX industry participants, including buy-side, exchanges and clearing houses, trading platforms, technology companies, banks and non-bank market participants, among others, to advance a sound, liquid, transparent and competitive global currency market to policymakers and the marketplace through education, research and advocacy. The following comments do not represent the specific individual opinion of any one particular member. For more information, please see www.fxpa.org.

[2] GFXC, *Request for Feedback on Amendments to the FX Global Code and the Introduction of Related Cover Sheets and Templates* (Apr. 2021), https://www.globalfxc.org/consultative_process.htm?m=72%7C429.

[3] *See FXPA Endorses Global Code for FX Market*, FXPA (May 25, 2017), https://fxpa.org/fxpa-endorses-global-code-for-fx-market/.

I. <u>The Amendments, Cover Sheets, and Templates Impose Overly Prescriptive Requirements Beyond the Code's Principles-Based Approach.</u>

The FX Global Code is a principles-based document. It was developed to provide a common set of guidelines to promote the integrity and effective functioning of the FX market by unifying disparate codes of conduct from different jurisdictions.[4] In short, it identifies global good practices and processes. Moving towards a more prescriptive regime, as suggested in the amendments, cover sheets, and templates, is problematic for three primary reasons.

First, imposing regulatory-like technical standards will make it harder for market participants to adhere to the Code. Because those signing Statements of Commitment or otherwise committing to follow the Code operate in various jurisdictions that each have their own prescriptive standards, the Code should not try to mimic these countries' laws and rules. Instead, the Code should continue setting broad-stroke guidelines of best practices. The amendments, cover sheets, and templates, as discussed below, are generally too prescriptive for implementation directly into the Code. The FXPA suggests that a neutral industry group revise the cover sheets and templates for use as "best practices" documents that are separate and apart from the Code. The FXPA volunteers its services and expertise to lead and participate in this neutral industry group.

Second, the requirements in the proposed updates will deter market participants, particularly buy-side firms, from committing to Code adherence. While the proposed amendments do not directly add new obligations to buy-side firms, the new components will increase the compliance burden on those to whom it does apply (venues and liquidity providers), and merely seeing others forced to meet higher standards sends the wrong message to other FX market participants with respect to the Code. The proposed amendments suggest a trend towards highly-prescribed "principles" that will turn potential market participants away, at a critical junction in time.[5]

Finally, the postposed amendments may further complicate the issue related to the proliferation of public registers. Today, there are sixteen global registers. Many individual FX committees maintain their own registers. Listing a Statement of Commitment on a specific register may indicate an implicit acknowledgement and acceptance of an uplift in local market standards, such as the Tokyo Foreign Exchange Market Committee.[6] Venue-based registers may use their register as the "golden source" as to whether a market participant has issued a Statement of Commitment irrespective if such a Statement is listed elsewhere. This source then becomes the basis for venue reports as to whether a participant has committed to or adheres to the Code.

Some of the proposals we address below on cover sheets and disclosures would only encourage additional public registers. The combination of additional registers, along with potential local

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[4] GFXC, *FX Global Code*, https://www.globalfxc.org/fx_global_code.htm.

[5] The New York Foreign Exchange Committee recently discussed broadening buy-side adoption in the United States. *See* Foreign Exchange Committee, April 14, 2021 Meeting Agenda, https://www.newyorkfed.org/medialibrary/Microsites/fxc/files/2021/fxc-agenda-april-2021-meeting.

[6] *See* The Tokyo Foreign Exchange Market Committee, *Local Standards in Tokyo FX Market: Supplementary provisions to the FX Global Code* (2017 ed.), https://www.fxcomtky.com/coc/pdf_file/201705/tokyo_local_standards_en.pdf.

uplifts by a register, has already created an administrative burden on those wishing to issue Statements by requiring them to track where their Statements are listed and what additional obligations they have assumed. We do not believe the original intent of the Code was this fragmented, duplicative, and complicated outcome.

II. Responses to Specific Questions

The FXPA reviewed each of the attachments in the proposal package. We provide our responses below to three of the four attachments: (A) Anonymous Trading, (B) Algorithmic Trading / Transaction Cost Analysis, and (C) Disclosures.

A. GFXC Anonymous Trading Proposals

A1 Do you agree with the proposed Data-related addition to Principle 9?

The FXPA is generally supportive of the concept that FX E-Trading Platforms (including anonymous platforms) disclose to users and prospective users what specific market data is available, to whom, and at what frequency and latency. The prescriptive addition to Principle 9, though, will be difficult to implement in practice because not all E-Trading Platforms are registered, regulated entities with rulebooks.

While supportive of the general concept, the FXPA, however, recommends that the language related to "disclosure cover sheets and/or within applicable platform rulebooks" be broadened to capture user agreements, venue policies, etc.

A2 Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?

The FXPA is generally supportive of the addition to Principles 9, 19 and 22.

With respect to Principle 19, we note that retagging is used, not just to facilitate trading where one party previously requested avoid facing another, but where a market participant wishes to avoid being identified. The additional language should reflect this purpose too.

With respect to Principle 22, the FXPA does not necessarily view "tags" as colour. The type of information identified in the proposed amendment, footnote 2, is an example but does not represent all types of information disclosed by platforms. The FXPA has concerns that the new platform disclosures of tag-related policies may be too burdensome and prescriptive, and another layer of complexity to platforms' rulebooks, user agreements, and onboarding materials.

Finally, like our comment above, references to rulebooks should be expanded to cover user agreements, venue policies, etc.

A3 ***Do you agree with the proposed Credit-related additions to Principles 29 and 41?***

The FXPA is generally supportive of the addition to Principle 29, but notes that there are different methods of monitoring credit limits, such as net vs. gross basis. Further, the requirement to specify the methodologies used to calculate "Net Open Position," is too detailed. The requirement should focus more broadly on credit exposures and how they are used (i.e., daily settlement limit), as well as levels at which credit limits are established. The FXPA suggests that the GFXC consider principles around the disclosure of how credit limits are calculated and how irregularities are handled.

The FXPA also is generally supportive of the addition to Principle 41.

A4.1 ***Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?***

A4.2 ***Do you agree with the included footnote to the proposed addition to Principle 22?***

A4.3 ***Do you agree with the added example to Annex 1, which would map to Principle 22?***

The FXPA has both operational and market liquidity concerns with the proposed additions to Principle 22 and Annex 1.

Operationally, and as noted above, the proliferation of registers already makes it difficult to ensure Statements of Commitments stored in each register are accurate. Requiring additional documentation be kept at each register will add to the compliance burdens. Venues, moreover, would – in effect – be promoting "Code compliant" participants without any way of confirming that is true. Furthermore, the only time that counterparties' commitment to or compliance with the Code generally arises in the normal course of business right now is with respect to transaction disputes or broken trades. It is not the case now that market participants typically look at Code commitment status when considering a transaction with another party.

With respect to liquidity fragmentation, disclosure of Code signatories may help identify counterparties in anonymous markets where there are not many participants. Noting identifying Code signatories pre-trade also may result in a bifurcation or fracturing of the market where only those who have signed the Code want to trade with each other. In other words, we could find pools split between Code affirming and non-Code affirming financial institutions. While the disclosure contemplated by this amendment might encourage more widespread Code adoption, in reality, there is no mechanism (particularly at the venue level) to verify whether a participant has actually signed the Code. The FXPA has concerns that participants may commit to Code compliance for purposes of a venues' disclosure without having completed its assessment before making that decision.

To date, FXPA members are unaware of participants making trading decisions based specifically on a counterparty's Code-commitment status.

The FXPA, as an alternative, suggests a list of Code signatories all utilize and rely on one single, global register. Participants can then review the register to see if their counterparties (where known) have actually signed the Code.

If the GFXC moves forward with adopting this amendment, the FXPA finds that the proposed footnote to the proposed addition to Principle 22 is necessary to make clear that the onus is on the user to accurately report and update the platform to any changes to its Code affirming status.

B. *GFXC Algorithmic Trading / Transaction Cost Analysis Proposals*

As stated in the introduction, the FXPA believes that many of these proposed amendments would be better presented as "best practices" rather than specific amendments to the Code's Principles. In practice, while the Code is not binding, the practical result of these amendments is to impose specific, granular obligations on FX market participants.

The templates (discussed below), in particular, seem to deviate from the 2017 Code's principles-based approach and have brought the Code to more like a regulator's technical standards document.

B3 Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?

The conflict of interest paragraph added to Principle 18 may make compliance with this requirement and certain local laws challenging. In particular, the EU waives this type of burden for eligible contract participants (ECP) counterparties and multilateral trading facility (MTF) transactions. Similarly, the definition of "algorithmic execution" may not align with the term as its used in other jurisdictions.

For example, the proposed definition does not align with that used by Mifid (limited or no human intervention) or the Hong Kong Securities and Futures Commission (computer generated trading activities).

In order to avoid regulatory disharmonization and further regulatory conflict, the FXPA suggests that the Code refer to local definitions for purposes of defining the scope of "algorithmic trading" to comport with each jurisdiction's existing regulations.

B4.2 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).

The proposed template makes very specific assumptions on how algorithms work that may not be universal. For example, some algorithms operate on full portfolio levels, and it is unclear whether these are incorporated in the proposal.

The proposal also appears to apply more heavily to market makers, and it may not be possible or practical for E-Trading Platforms to comply with the proposed template. In other words, the proposal places significant onus on the liquidity providers, and it is unclear how much of the information asked for in the proposal is already being made publicly available or to customers.

Finally, some of the information asked for within the proposal related to risk transfer prices would be impossible to provide, as certain market segments do not have it. It could be difficult, for example, to provide a risk transfer price on a whole transaction, especially for a small or medium sized bank.

B6.2 Do you agree with the definition of algorithmic execution? If not, what would you change?

Please see above response to B.3.

B6.3 Do you agree with the definition of aggregation services? If not, what would you change?

The proposed definition of "aggregation services" does not seem to fit the intent of the overall amendments to Principle 18, and would end up pulling in every platform. The FXPA suggests that the revised definition make clear whether and how algorithms operate, such as on a portfolio or position basis.

C. *<u>GFXC Disclosures Proposals</u>*

C1.1 Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?

C2.1 Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?

The FXPA believes liquidity providers and trading platforms cover most of the disclosures in their own proprietary disclosure documents, which are either public or available to members/counterparties. As such, we recommend that the amendments should provide more detail on the expected *scope* of the disclosure, particularly for disclosures that are not publicly available. The proposed template for algorithmic trading, for example, is expected to be made public only to the extent there is no sensitive information contained in it.[7]

As currently drafted, the cover sheets place an administrative burden on platforms and providers as disclosures change and registers change. So far as this is connected to a push towards a proliferation of public registers, things could be fraught.

Moreover, the definitions and terminology used in any disclosure framework are important, as there are possible negative implications for platforms that do not provide services that neatly fit into the definitions. If the GFXC moves forward with a disclosure framework, the framework should not be too prescriptive.

C1.2 Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?

The FXPA believes that disclosing parties will try to incorporate disclosure by providing links to existing disclosures on its website, rather than providing for the substantive disclosure in this LP Cover Sheet, to avoid having to constantly update the cover sheets at various registers. Providing anything less than what is already disclosed raises concerns that the LP Cover Sheet may be viewed as false/misleading, as well as inconsistent with what the company already discloses. Liquidity providers would be reasonable to be concerned about conflicting disclosures if cover sheets were relied upon rather than materials it publishes publicly or directly to customers.

From a customer perspective, based on preliminary FXPA member discussions, cover sheets may not be used/read any more than existing disclosures. Many liquidity providers already disclose significant amounts, and an additional requirement in the Code might not solve a real problem. Additionally, some FXPA members do not make use of counterparty disclosures.

C2.2 Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?

There is likely to be a sizable administrative, legal, and compliance burden with this Cover Sheet. These disclosures would be public, and there will be scrutiny from regulators and participants' internal legal teams. To avoid allegations that the Cover Sheets are false or misleading, companies will need to include pages of disclosures. To avoid doing so, participants may simply redirect to existing

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[7] *See Attachment B: Proposals for Enhancing Transparency to Execution Algorithms and Supporting Transaction Cost Analysis* at 10 (Apr. 2021), https://www.globalfxc.org/docs/gfxc_request_feedback_april2021_att_b.pdf ("EA providers should make their answers to the FX Algo Due Diligence Template easily accessible to clients. They can publish a completed template in the unrestricted area of their website or provide it to clients bilaterally should it contain sensitive information.").

documents as a way to avoid this burden, which diminishes the value add of such a Cover Sheet.

C3 Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?

The GFXC proposes a list of preemptive reasons for trade rejection, as well as why trades are eventually rejected. The UK explored standardized reject codes, and while there was some agreement on the general benefit, there also was agreement that these codes would add a burden to price makers and price takers. As in the UK proposal, the burden here all falls on the liquidity providers. Additionally, concerns exist that the broad definition of rejected trades would make it hard to accurately classify rejections, as human error and other non-electronic factors could be difficult to classify under standardized codes. The FXPA suggests releasing standardized reject codes, but giving time for market participants to adopt them before incorporating them into the Code. Like the recommendation above that cover sheets and templates be created by a neutral industry group, the FXPA again volunteers its services and expertise to lead an effort to create standardized reject codes.

The administrative burden should this proposal be adopted, moreover, adds to the risk and compliance industrial complex. We note that some record of trade rejections may already be captured as part of an audit trail for some venues.

This burden also may be particularly acute for buy side firms who would have to build systems and connect to others with the ability to communicate with new standardized rejection definitions. In other words, the costs may exceed the benefits, particularly if reject codes most regularly used are “other,” “human error,” or some other generic description.

Finally, the GFXC should consider application of this trade rejection requirement in both the human/voice as well as algorithmic/automated trading contexts.

C4 Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?

There are questions on how much granularity would be required, and what exactly would be required in this disclosure. There is a real potential for administrative burden as legal and compliance teams work on this.

In sum, the proposal is not quite transparent enough for what type of information it seeks. As noted above, the vagueness of what is required begs the question as to the amendment’s value add.

* * *

The FXPA stands ready to work with the GFXC on the issues discussed herein, as part of its review of the Code. Should the GFXC wish to discuss these comments further, please contact the undersigned at chairman@fxpa.org.

Sincerely yours,

Chip Lowry
Chairman

Response ING Bank N.V.

A. Anonymous trading

Data policies	
A1	Do you agree with the proposed Data-related addition to Principle 9?
ING is not an E-Trading Platform, but agrees with the proposed addition to Principle 9.	
Tag management	
A2	Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?
ING agrees with the proposed additions to Principles 9, 19 and 22. In addition ING proposes to add the following bold text to the initial part of Principle 9: "Market Participants operating anonymous FX E-Trading platforms that feature unique identifiers ("tags") should, where applicable **and subject to the nature of their engagement in the FX Market**:..."	
Credit policies	
A3	Do you agree with the proposed Credit-related additions to Principles 29 and 41?
ING is not an E-Trading Platform, but agrees with the proposed additions to Principles 29 and 41.	
Identification of Code signatories on anonymous trading platforms	
A4.1	Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?
ING agrees with the proposed addition to Principle 22.	
A4.2	Do you agree with the included footnote to the proposed addition to Principle 22?
ING agrees with the included footnote to the proposed addition to Principle 22.	
A4.3	Do you agree with the added example to Annex 1, which would map to Principle 22?
ING agrees with the added example to Annex 1.	

B. Execution Algorithms and Transaction Cost Analysis

B1	When providing feedback, please state your relationship to algorithmic execution:
ING is Algo user.	
Transaction Cost Analysis Data Template	
B2.1	Will you use the template? If not, why not?
Yes, ING intends to use the basic template.	
B2.2	Which version of the template do you prefer?

ING prefers the basis template.	
B2.3	Do you have any comments on the content of the template?
ING would like to stress that the data that needs to be analyzed should be limited to data that is required for the purpose of conducting the transaction costs analysis (TCA). Data that is not relevant for this TCA should not have to be populated in the template. As such ING thinks of the data fields identified by ACIFMA. In addition ING would urge to be cautious that the template does not expose too much of the logic of the underlying algo as this should not be revealed given it's the intellectual property of the algo provider.	
B2.4	Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?
Provided that a basic template will be chosen the time needed to be able to provide and take the data in the proposed format will be limited, as the template would then follow the template used by third party TCA providers.	
B2.5	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?
The GFXC and template should be more principle based and less prescriptive. The focus should be on providing guidance.	
B2.6	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?
N/A	
Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage market participants to use the data template	
B2.7	Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?
As mentioned above, ING is of the view that the TCA template should be used as guidance and not be prescriptive of nature. Market participants that provide algo trading services to clients should disclose pertinent information for the purpose of TCA. The template can serve as guidance as to the type of information that needs to be provided, but additional information can also be necessary if useful for the TCA. To demonstrate that the template serves as guidance, ING considers the term guidance more appropriate than the suggested term 'encouraged'. That also fits within the GFXC which is principle based, and for which compliance is voluntary instead of legally required.	
Amendment of Principle 18 to cover conflicts of interest	
B3	Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?
ING does not have any comments on the proposed additional text in Principle 18. Given the reference to aggregation services as well, ING would welcome a definition of aggregation services.	
Algo Due Diligence Template	
B4.1	Will you use the template? If not, why not?

Yes, ING will use the template as guidance.	
B4.2	Do you have any comments on the content of the template?
In general ING is supportive of the template. The questions under 2-6 refer to algo descriptions and parameters which are normally already set out in the algo providers user guide. ING would therefore recommend to give the market participant the choice of either populating the field in the template or attaching the algo providers user guide. The questions 15, 16 and 19 ask for information that relates to the logic of the algo's which an algo provider may not wish to expose. Instead of asking the algo provider to submit this information, users should have the option of requesting additional information from the algo provider, for which the algo provider can determine whether such information can be shared on a bilateral basis and under which conditions. Question 20 refers to confidential information as well, and the request for specification should in ING's view therefore be removed. The request under question 21 to provide an indication of how much volume is internalized on average does not add any value according to ING. Given the wide variety in data of internalisation (which differs per currency, time of data and used algo) ING does not expect that such information would facilitate a useful comparison between providers.	
B4.3	Do you have any comments on the proposal regarding implementation, maintenance and measuring success?
No, ING does not have any comments.	
B4.4	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalizing these proposals? What could you contribute?
N/A	
Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template	
B5	Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?
ING agrees that market participants that provide algo trading services to clients should disclose necessary information in an easily accessible manner, either by making it available on a bilateral basis to clients and prospective clients, or by publishing this information on an unrestricted area of their website. The template serves as guidance to determine the appropriate disclosures and should not be prescriptive of nature.	
Additional entries for the Code's glossary	
B6.1	Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?
ING agrees with the definition.	
B6.2	Do you agree with the definition of algorithmic execution? If not, what would you change?
ING agrees with the definition.	
B6.3	Do you agree with the definition of aggregation services? If not, what would you change?
The definition of aggregated services should be aligned with the text of the second paragraphs of Principle 18.	

C. Disclosures

Liquidity provider cover sheet	
C1.1	Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?
ING is generally supportive of the cover sheet and sees the merit of enabling clients to compare the disclosures of the different market participants. ING however points out that much of the disclosures will already have been provided to clients via other documents (i.e. Policies and Terms of Business), which are accessible to clients and prospective clients via unrestricted areas of market participant's website. ING would therefore suggest that market participants can submit an abstract of the disclosures in the cover sheet, but stresses that the cover sheet cannot be a replacement for the market participant's policies and Terms of Business, which are available to clients as well.	
C1.2	Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?
The proposed disclosures to be mentioned in the cover sheet are fine with ING.	
E-Trading Platform Cover Sheet	
C2.1	Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?
N/A. ING is not an E-Trading Platform, but is supportive of the introduction of such a cover sheet.	
C2.2	Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?
No, ING does not have any comments on the proposed content.	
Trade rejection information	
C3	Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?
ING can support the increase of pre-trade information provided to clients (Principle 9). Such level of transparency should be achievable without too much operational burdens. The changes to Principle 36, however, would create an onerous, very burdensome technology uplift. In line with the comments from ACI FMA ING prefers the development and gradual introduction of a robust and comprehensive set of trade rejection definitions, to include liquidity reasons, to be introduced to the code and market participants should be encouraged to deploy such definitions as and when system upgrades are implemented.	
Handling Confidential Information	
C4	Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?
Although market participants, as ING, will already have systems and controls in place to mitigate potential conflicts of interest, ING does support the proposed changes to the code on how FX Trading Information is handled internally.	

D. FX Settlement Risk

D1	Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?

ING understands the greater stress the GFXC poses on payment-vs-payment settlement mechanisms, which is prudent and logical. At the same time market participants will already deploy risk-mitigating methods and from that perspective ING does not welcome a too prescriptive approach by the GFXC. ING, for example, does consider the encouragement to decrease its exposure limit to a counterparty or create incentives for the counterparty to modify its FX settlement, if this counterparty's chosen method of settlement prevents ING from reducing its Settlement Risk as too prescriptive and not in line with what the GFXC should be: a principle-based guidance document.

Annex 1 – Questions for Feedback

Attachment A: Anonymous Trading

Data policies

A1	Do you agree with the proposed Data-related addition to Principle 9?	yes

Tag management

A2	Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?	yes

Credit policies

A3	Do you agree with the proposed Credit-related additions to Principles 29 and 41?	yes

Identification of Code signatories on anonymous trading platforms

A4.1	Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?	yes
A4.2	Do you agree with the included footnote to the proposed addition to Principle 22?	yes
A4.3	Do you agree with the added example to Annex 1, which would map to Principle 22?	yes

Attachment B: Execution Algorithms and Transaction Cost Analysis

B1	When providing feedback, please state your relationship to algorithmic execution:
	☐ Algo Provider ☑ Algo User ☐ Technology/data provider ☐ Other

Transaction Cost Analysis Data Template

B2.1	Will you use the template? If not, why not?	yes
B2.2	Which version of the template do you prefer?	
	☐ aspirational ☑ basic	
B2.3	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).	no
B2.4	Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?	-
	Aspirational version (in months): .. basic version (in months): ..	-
B2.5	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?	no
B2.6	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?	-

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage market participants to use the data template

B2.7	Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?	-

Amendment of Principle 18 to cover conflicts of interest

B3	Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?	no

Algo Due Diligence Template

B4.1	Will you use the template? If not, why not?	yes
B4.2	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).	no
B4.3	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?	no
B4.4	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?	-

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template

B5	Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?	no

Additional entries for the Code's glossary

B6.1	Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?	yes
B6.2	Do you agree with the definition of algorithmic execution? If not, what would you change?	yes
B6.3	Do you agree with the definition of aggregation services? If not, what would you change?	yes

Attachment C: Disclosures

Liquidity Provider Cover Sheet

C1.1	Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?	yes
C1.2	Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?	-

E-Trading Platform Cover Sheet

C2.1	Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?	yes
C2.2	Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?	-

Trade rejection information

C3	Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?	yes

Handling Confidential Information

C4	Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?	yes

Attachment D: FX Settlement Risk

D1	Do you agree with the proposed changes to the Code’s guidance on the management of settlement risk?	yes

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7th May 2021

Submitted by email to codefeedback@globalfxc.org

London Stock Exchange Group (LSEG) response to Global Foreign Exchange Committee's (GFXC) Request for Feedback on Amendments to the FX Global Code (Public)

LSEG is a diversified global financial market infrastructure provider, headquartered in London, with significant operations in Europe, North America, and Asia. Our focus is Data and Analytics, Risk & Balance Sheet Management, and Capital Formation. The Group supports global financial stability and sustainable economic growth by enabling businesses and economies to fund innovation and manage risk.

LSEG is a recognised leader in FX with a broad view of the FX market globally from the perspective of both the buy- and the sell-side as well as being a Platform provider. Our Matching and FXall venues trade over $400 bn daily, connecting a global community of over 2,400 customers. Matching is recognised globally as a primary market for FX trading, providing the active trading community with reference liquidity in over 80 currency pairs. FXall is a leading end-to-end solution for institutional FX trading, offering a comprehensive end-to-end solution for buy-side clients.

LSEG also provides the FX market with an electronic trade engine product called Electronic Trading (ET). ET is used by over 200 banks worldwide to make electronic prices to over 25,000 of their customers each month. If we also include telephone trades where ET provides the bank's sales person with the bank's price, over 100,000 end users of FX are electronically priced and hedged worldwide using ET.

Finally, our innovative FXT Desktop provides access to end-to-end trading solutions and deep liquidity for over 14,000 users globally.

The FX business at LSEG (formerly of Thomson Reuters) was an early adopter of the Code, signing the Statement of Commitment in June 2017. In addition, LSEG operates LCH Limited, which also signed the Statement of Commitment in July 2018 with respect to its collateral and treasury management activities.

LSEG is a firm supporter of the Code and its aim to promote fair, open, and liquid markets. To that end, LSEG welcomes and fully supports the GFXC's work in maintaining and improving upon the Global Code and appreciates the opportunity to respond to GFXC's request for feedback.

We make the following high-level observations on the proposed amendments, and we provide answers to the specific questions in Annex 1.

1. LSEG fully supports the general idea that templates and other such mechanisms have a role to play in bringing the Code to everyday life across the global FX market. However, this should not come at the cost of 'gold plated' requirements – ie requirements beyond the levels required to ensure good conduct in the market. In our view it is important that the Code continues to support the philosophy that Market Participants can operate with a high

level of discretion as long as they adhere to the agreed principles of good conduct. Setting further requirements on top of this may reduce flexibility for market participants to organise how they conduct their FX business, but without the offsetting benefit of improving conduct. In turn this may deter new Market Participants from becoming signatories to the Statement of Commitment or supress innovation in the FX market.

To maximise the chance of a successful rollout, we recommend that the GFXC begins with smaller rather than larger templates, and initially focuses on achieving widespread market adoption. Once the industry has established familiarity with these tools, they can be expanded over time.

LSEG recommends that, as an example, the templates in Attachment B are treated as best practice rather than standards, and that the GFXC gives special consideration to whether fields that industry feedback identifies as complicated or low priority should be included.

Further, we would recommend that industry groups are established to work on ensuring these templates are practical, and to evaluate both the operational impact to Market Participants versus the benefits to clients. These groups could either be the specific GFXC working groups or separate groups formed of trade associations and interested Market Participants.

2. We are generally supportive of the proposal for Platforms to send pre- or post-trade tags indicating whether a Participant is a signatory to the Code, but with two qualifications. The first is to note that Platforms are not able to validate Code adherence of individual Participants. Therefore, responsibility must remain with individual Participants to manage their own adherence. In other words, the responsibility of the Platform should go no further than providing the Participant's own representation of their adherence status to other Participants. The second is to note that Platforms should be able to make commercial decisions about the best appropriate way technically to disseminate this information. For example, some Platforms might select simple admin/reporting screens while others may wish to build the information into their real-time trading messages. Given that a real-time messaging implementation might be expensive for both Platforms and their customers, Platforms should be able to select how to provide this information.

We thank you for your attention and remain at your disposal should you wish to discuss further.

Sincerely,

Neill Penney
Group Head of FX
London Stock Exchange Group

LSEG

Annex 1 Answers to specific questions

Answers to Attachment A: Anonymous Trading

A1	Do you agree with the proposed Data-related addition to Principle 9?

LSEG generally supports the proposed addition to Principle 9. However, market data policies should only be made available to users or to prospective users. In addition, requirements on the provision of latency data should be high level and platforms should be free to choose the information it is appropriate to disclose.

LSEG also recommends broadening the language relating to “disclosure cover sheets and/or within applicable platform rulebooks” to capture user agreements, platform policies, platform operational procedures or other forms of documentation accessible to users or prospective users.

A2	Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?

LSEG supports the proposed changes to Principles 9, 19 and 22. However, we make the following additional points:

- It is important for Market Participants to be clear that when they trade on anonymous platforms, Principle 17 of the Code should fully apply to them.

- Requirements for tagging should be symmetrical i.e. information types that are provided to one party about the counterparty should also be made available to that counterparty.

- Our earlier point around “disclosure cover sheets and/or within applicable platform rulebook” in our answer to question A1 being broadened to include, user agreements, operational procedures, platform policies or other forms of documentation accessible to users or prospective users should also be applied in this case.

A3	Do you agree with the proposed Credit-related additions to Principles 29 and 41?

LSEG generally supports the additions to Principle 29 but proposes the following amendment:

E□Trading FX Platforms should at a minimum disclose the following as it relates to credit monitoring:

- What mechanisms and/or controls are in place to set, amend, and monitor all applicablecredit limits.
- Whether *and how* the responsibility of monitoring credit limit breaches fall upon the platform or the users, *and which parties are responsible for resolving credit limit*

breaches.
- What specific methodologies are used to calculate “Net Open Position”

Justification to the amendment:

Some E-FX Platforms operate automated controls to prevent trades being executed when a credit breach is identified. However, monitoring and resolving the breaches is the responsibility of the Participants on the Platform. This delineation of activities should be permissible and clearly explained to users in the proposed disclosure.

LSEG provides no comment on the addition to Principle 41.

A4.1	Do you agree with the proposed Identification of Code Signatory-related addition to Principle 22?
A4.2	Do you agree with the included footnote to the proposed addition to Principle 22?
A4.3	Do you agree with the added example to Annex 1, which would map to Principle 22?

We are generally supportive of the proposal for Platforms to send pre- or post-trade tags indicating whether a Participant is a signatory to the Code, but with two qualifications. The first is to note that Platforms are not able to validate Code adherence of individual Participants. Therefore, responsibility must remain with individual Participants to manage their own adherence. In other words, the responsibility of the Platform should go no further than providing the Participant’s own representation of their adherence status to other Participants. The second is to note that Platforms should be able to make commercial decisions about the best appropriate way technically to disseminate this information. For example, some Platforms might select simple admin/reporting screens while others may wish to build the information into their real-time trading messages. Given that a real-time messaging implementation might be expensive for both Platforms and their customers, Platforms should be able to select how to provide this information.

Attachment B: Execution Algorithms and Transaction Cost Analysis

B1	When providing feedback, please state your relationship to algorithmic execution:
	☐ Algo Provider ☐ Algo User ☐ Technology/data provider ☐ Other

LSEG answers these questions from the perspective of a provider of aggregation services and a technology/data provider. LSEG also operates E-FX platforms.

LSEG

Transaction Cost Analysis Data Template

B2.1	Will you use the template? If not, why not?
B2.2	Which version of the template do you prefer?
	☐ aspirational ☐ basic
B2.3	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).
B2.4	Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?
	Aspirational version (in months): .. basic version (in months): ..
B2.5	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?
B2.6	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

LSEG is generally supportive of the TCA template but makes the following points:

Including advanced fields such as “Action time” is in our view over-and-above the amount of detail the Code should be stipulating that algo execution providers need to make available. The Code’s role should be to promote a base level of transparency, consistent with ensuring good conduct, but not to make requirements beyond this. A general principle of the Code is that Market Participants should have maximum freedom in how they undertake business as long as good conduct is ensured. In pushing beyond a base level of transparency, there is a risk of the Code reducing competition over time as smaller liquidity providers are unable to meet these more exacting requirements. This would ultimately result in less choice and poorer outcomes for the client. Algo providers remain able of curse to add additional information at their discretion based on the nature and requirements of their customers.

To reduce the initial impact to the industry, we would advise starting with a smaller questionnaire and expanding over time. A specific, neutral, industry forum could be convened to both establish core fields and evaluate operational impact to Market Participants versus the benefits to clients. As an example, the Mid at Arrival field is complex and may not always be available or relevant and therefore it may be better to omit from the first iteration of the Template.

Any implementation period should be proportionate and account for the ability of smaller providers to adopt. LSEG would suggest a period of not less than 12 months for either version of the template.

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage Market Participants to use the data template

B2.7	Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?

- Disclosures to clients of TCA should be done in a way that is consistent with local law. For example, in the EU, Market Providers may not be required to provide this type of information when the client is classified as an eligible counterparty (ECP). In addition, Article 19 in MiFID precludes some of these types of disclosures being made for transactions executed on a Multilateral Trading Facility (MTF).

- To achieve this, the following addition should be made:

- [TCA and data availability workstream] Market Participants providing algorithmic trading services to Clients should disclose pertinent information to be used for the purpose of Transaction Cost Analysis (TCA) *in a way that is consistent with the local law of the Market Participant providing the service.* They are encouraged to provide data using the Transaction Cost Analysis Data Template published by the GFXC. Additional data should be provided if it is considered useful.

Amendment of Principle 18 to cover conflicts of interest

B3	Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?

- Disclosures to clients of conflicts of interest when handling client orders should be done in a way that is consistent with local law. For example, in the EU, Market Providers may not be required to provide this type of information when the client is classified as an eligible counterparty (ECP). In addition, Article 19 in MiFID precludes some of these types of disclosures being made for transactions executed on a Multilateral Trading Facility (MTF).

- To achieve this, the following addition should be made:

- [Conflict of Interest workstream]Market Participants providing algorithmic trading or aggregation services should disclose any conflicts of interest that could impact the handling of any client order, e.g. arising from their interaction with their own principal liquidity, or particular commercial interests in trading venues or other relevant service providers, and how such conflicts are addressed. *Such disclosures should be made in a way that is consistent with the local law applicable to the Market Participant providing the service.*

Algo Due Diligence Template

B4.1	Will you use the template? If not, why not?
B4.2	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).
B4.3	Do you have any comments on the proposals regarding implementation, maintenance and measuring success?
B4.4	In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

LSEG is generally supportive of the algo due diligence template.

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template

B5	Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?

LSEG is generally supportive of the amendment to Principle 18 though notes that, as with previous amendments to this principle, disclosures should be done in a way that is consistent with the Market Participant's local law.

Additional entries for the Code's glossary

B6.1	Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?
B6.2	Do you agree with the definition of algorithmic execution? If not, what would you change?
B6.3	Do you agree with the definition of aggregation services? If not, what would you change?

- The definition of aggregation services should be reconsidered. It is not clear what type of operations or business models the Code is trying to capture here and whether it should apply to third party technology providers or not.

- The definition of algorithmic execution should be better aligned with the definitions in MiFID and other relevant jurisdictions to ensure consistency, particularly the test that there should be limited or no human interaction in the process.

Attachment C: Disclosures

Liquidity Provider Cover Sheet

C1.1	Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?
C1.2	Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?

- [Unanswered; left deliberately blank]

E□Trading Platform Cover Sheet

C2.1	Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?
C2.2	Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?

- LSEG supports the introduction of the disclosure cover sheets and believes they will help clients better navigate the large numbers of disclosures required by the Code.

- However, it should be clear that cover sheets are only required to be disclosed to users or prospective users of the Platform. Making the cover sheets publicly available should be at the discretion of the Platform. In addition, the current templates make a number of assumptions in respect of a Platform's model; we believe that Platforms should be free to adapt the cover sheets to better fit their operations.

Trade rejection information

C3	Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?

- LSEG generally supports the amendments and additions to Principle 9 and 36, but notes that in order to make this information useful to clients, the reject information should be standard, and the taxonomy for such agreed to by the Liquidity Providers to whom most of the burden will fall. LSEG understands that previous efforts in the UK by the GFXC to achieve this have ultimately been unsuccessful.

Handling Confidential Information

C4	Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?

LSEG supports this addition to Principle 19.

Attachment D: FX Settlement Risk

D1	Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?

LSEG generally supports the proposed changes.

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7 May 2021

GFXC Request for Feedback – April 2021

Amendments to the FX Global Code and the Introduction of Related Cover Sheets and Templates – M&G plc response

Proposals for Enhancing Transparency to Execution Algorithms and Supporting Transaction Cost Analysis

B1 Please state your relationship to algorithmic execution:

☐ Algo Provider ☐ Algo User ☐ Technology/data provider ☐ Other – **Currently evaluating Algo technology/platforms ahead of potential implementation.**

Transaction Cost Analysis Data Template

B2.1 Will you use the template? If not, why not? **Yes**

B2.2 Which version of the template do you prefer? **Aspirational**

☐ aspirational ☐ basic

B2.3 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s). **No Further comments**

B2.4 Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?

Aspirational version (in months): **Estimated 3-4 Months**. basic version (in months): **Estimated 2-3 Months**

B2.5 Do you have any comments on the proposals regarding implementation, maintenance and measuring success? **No additional comments**

B2.6 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute? **N/A**

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage market participants to use the data template.

B2.7 Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template? **No additional comments**

Amendment of Principle 18 to cover conflicts of interest

GFXC proposal and Request for Feedback question: The GFXC proposes to improve transparency by adding a disclosure requirement for conflicts of interest around algorithmic trading. In this regard, it is seeking industry feedback by asking the following question:

B3 Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest? **No additional comments**

Algo Due Diligence Template

B4.1 Will you use the template? If not, why not? **Yes**

B4.2 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s). **No additional comments**

B4.3 Do you have any comments on the proposals regarding implementation, maintenance and measuring success? **No additional comments**

B4.4 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute? **N/A**

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template

B5 Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template? **No additional comments**

Additional entries for the Code's glossary

B6.1 Do you agree with the definition of Transaction Cost Analysis? If not, what would you change? **Agree**

B6.2 Do you agree with the definition of algorithmic execution? If not, what would you change? **Agree**

B6.3 Do you agree with the definition of aggregation services? If not, what would you change? **Agree**

Disclosures

Liquidity Provider Cover Sheet

C1.1 Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers? **Yes**

C1.2 Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)? **No additional comments**

E-Trading Platform Disclosure Cover Sheet

C2.1 Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms? **Yes**

C2.2 Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)? **No additional comments**

Trade rejection (Principle 9 & Principle 36)

C3 Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36? **Yes**

Handling Confidential Information

C4 Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19? **Yes**

FX Settlement Risk

D1 Do you agree with the proposed changes to the Code's guidance on the management of settlement risk? **Yes**

Morgan Stanley

May 6, 2021

Via email to: Global Foreign Exchange Committee Secretariat (codefeedback@globalfxc.org)

Subject: GFXC Request for Feedback – April 2021

Regarding: Amendments to the FX Global Code and the Introduction of Related Cover Sheets and Templates

Morgan Stanley is pleased to respond to the Global Foreign Exchange Committee ("GFXC") request for feedback on proposed changes to the FX Global Code of Conduct and the introduction of disclosure cover sheets. Morgan Stanley is supportive of the efforts of the GFXC in the development of the Code and the proposals that are the subject of the GFXC's consultation. We have feedback on only a few questions in the consultation. Our feedback to these questions is set out below.

1. *Disclosures*

Question C.2.1 Do you support the introduction of a cover sheet for E-Trading Platforms?

- Morgan Stanley supports the introduction of a cover sheet for E-Trading Platforms, provided that it is clarified to apply to venues that allow liquidity consumers to engage in electronic foreign exchange transactions with more than one liquidity provider (that is, what is often referred to as a "many to many" or "multiple to multiple" electronic trading model). In our view, public disclosure in the form of the proposed cover sheet should not be required for a dealer that makes available a single dealer platform to, or otherwise engages in direct bilateral electronic foreign exchange trading with, its clients. This is because the type of information contained in the proposed cover sheet, such as who is eligible to trade and the types of trades that can be executed, is not the type of information a dealer should be required to be publicly disclose, given the proprietary nature of such information. If, however, the conclusion is that a dealer should disclose some or all of this information, then it would be preferable to incorporate such disclosures into the Liquidity Provider cover sheet, in order to streamline the disclosures a dealer is expected to make under the Code.

2. *Anonymous Trading*

Question A.1. Do you agree with the proposed Data-related addition to Principle 9?

- For the reasons set out in our response to Question C.2.1. above, Morgan Stanley is of the view that the proposed addition to Principle 9 should be clarified to apply to platforms that bring together multiple liquidity providers and consumers. In particular, we do not think the concept of "market data sharing policies" makes sense in the context of a dealer that makes available a single dealer platform to, or otherwise engages in direct bilateral electronic foreign exchange trading with, its clients. This is because there is no "market" given there is only a single dealer providing liquidity. We propose the following revision (proposed text highlighted in bold):

*"FX E-Trading Platforms **that have multiple liquidity providers and consumers** should explicitly state market data policies on disclosure cover sheets and/or within applicable platform rulebooks, including at a minimum: what level of detail is available, which user types they are available to, and with what frequency and latency this market data is available."*

Question A.3. Do you agree with the proposed Credit-related additions to Principles 29 and 41?

- For the reasons set out in our response to Question C.2.1. above, Morgan Stanley is of the view that the current text of Principle 29, which includes the use of master netting agreements and credit support arrangements, as well as the establishment and monitoring of counterparty credit limits, adequately captures a dealer that makes available single dealer platforms to, or otherwise engages in, direct bilateral electronic foreign exchange trading with, its clients. We do not think the proposed addition regarding credit monitoring policies in this context is appropriate, given the proprietary, sensitive and confidential nature of the credit limits a dealer establishes with respect to each of its clients. Accordingly, we think the addition to Principle 29 should be clarified to apply to platforms that bring together multiple liquidity providers and consumers and propose the following (proposed text highlighted in bold):

  *"E-Trading FX Platforms **that have multiple liquidity providers and consumers** should at a minimum disclose the following as it relates to credit monitoring:*
    - *What mechanisms and/or controls are in place to set, amend, and monitor all applicable credit limits.*
    - *Whether the responsibility of monitoring credit limit breaches fall upon the platform or the users.*
    - *What specific methodologies are used to calculate 'Net Open Position.'"*

3. *Algorithmic Trading/Transaction Cost Analysis*

Question B.2.2. Which version of the [Transaction Cost Analysis Data] template do you prefer?

- Morgan Stanley prefers the "basic" version of the template rather than the "aspirational" version.

Question B.2.3. Do you have any comments on the content of the [Transaction Cost Analysis Data] template?

- Morgan Stanley supports the objective of providing standardized information to enable clients to efficiently evaluate the performance of their algorithmic execution, and believes that the "basic" version of the template achieves this objective. Morgan Stanley does not think the "aspirational" version of the template is appropriate because requiring execution algorithm providers to disclose data for all actions that occurred on a child order level – especially for partial and/or unfilled child orders – would expose extremely valuable intellectual property that is proprietary to the provider of the execution algorithm. In addition, the "aspirational" version of the template would cause a significant volume of data to be generated that would create data management challenges and impose additional costs for both providers and users of execution algorithms.

4. *FX Settlement Risk*

Question D.1. Do you agree with the proposed changes to the Code's guidance on the management of settlement risk?

- Overall, Morgan Stanley agrees with the proposed changes to Principles 35, 50 and 53, except for the following sentence at the end of the 1st paragraph of proposed Principle 50:

  "Market Participants should set binding <u>ex</u> <u>ante</u> limits and use controls equivalent to other credit exposures of similar size and duration to the same counterparty."

  This statement does not account for the practical challenges that dealers across the market face when executing foreign exchange transactions with clients who trade on behalf of a number of different underlying accounts. In this context, it is standard practice for asset managers to execute block transactions and to identify the underlying principals to whom the block is allocated at a later time (typically at the end of the day or on the next day following trade execution). Accordingly, for foreign exchange transactions executed as a block, requiring limits to be set on an *ex ante* basis where dealers do not know how the block will be allocated would not appropriately address the settlement risk associated with each underlying principal. Dealers should be allowed discretion to use a combination of both <u>ex</u> <u>ante</u> and <u>ex</u> <u>post</u> controls in managing foreign exchange settlement limits, which should be set by personnel who are not in the front office and who have the power to grant exceptions from time to time based on their expert judgment.

  Morgan Stanley proposes the following restatement of the last sentence at the end of the 1st paragraph of the proposed Principle 50:

> *"Market Participants should use a combination of ex ante and ex post limits that are set by the same personnel who also establish controls for counterparty credit exposures and do not sit in the front office. Such personnel shall have the flexibility to establish binding limits or grant exceptions, as appropriate."*

Morgan Stanley appreciates the opportunity to submit its comments to the GFXC. Please contact Maria Douvas (maria.douvas@morganstanley.com) should you have any questions.

New Change FX response to GFXC request for feedback

About New Change FX

New Change FX (NCFX) is a Registered Benchmark Administrator, regulated by the FCA. We calculate approved live spot FX benchmarks in 72 pairs, and forward FX benchmarks in 38 pairs to standard tenor dates, as well as benchmark curves.

Aside from our regulated benchmark activity we provide TCA services based on our benchmark data. We engage with algorithmic trading as an independent TCA service provider.

Our services include live data supply, benchmark calculation and supply, TCA analysis, valuations and delivery of live analytics into trading processes via API.

Overview of FX TCA today

The question of TCA is an important one for consumers of FX products. The full potential of TCA to improve execution processes will remain unrealised if regulations requiring measurement to be conducted against independent data are not respected or enforced.

We believe the GFXC TCA template has a critical failing which otherwise mars a thorough and complete TCA template. Indeed, the TCA template as outlined by the GFXC would perpetuate a lack of transparency, if implemented as described. The template does not insist on independent data, and in fact makes TCA irrelevant by proposing to create a 'super ECN' above all others. The unintended consequence of the proposed template would be to impair competition whilst reducing transparency.

In general terms, it is apparent that independent TCA has been largely undermined by two factors:

Firstly, the reluctance of buy-side clients to pay for proper, independent TCA services is a problem. Indeed, the willingness of some buyside firms to accept free services where their data is then sold back to banks is astonishing. Some firms accept circular and non-compliant cost analysis for free from brokers as a box-ticking exercise, rather than demanding independent, compliant analysis. Some firms even allow their custodians to confirm how well they (the custodians) are doing in the 'auto FX' execution process, a process with no independent controls or oversight whatsoever.

Buyside clients are repeatedly told that independent data does not matter, and that all data has the same value. This belief clashes with the regulatory goal of accurate measurement. The basic buyside standard should be to demand independent data which complies with regulatory standards in Europe, not data derived from the client transaction or a single platform. We see a great deal of buy-side firms that see TCA as a burden, rather than an opportunity to improve client outcomes.

Secondly, and as mentioned above, sell-side firms have been very keen to dismiss the concept of independent market data. We often hear that platforms can supply data for TCA for free. Is this because the platforms have no desire to be measured against independent data that they are unable to create or control perhaps? This lack of independent data keeps their market impact costs hidden. The arrival price standard proposed by the GFXC will not allow clients to assess costs properly and also contradicts existing regulatory standards in Europe. We would ask the GFXC to consider that independent TCA is a vital tool to create a functioning and competitive FX market at all levels, including platforms.

The world in general is shifting to AI based decision making. The same is true for FX, and TCA lies at the heart of this process. Within NCFX we have built APIs that allow clients to see the analysis of their transactions in real time. This is not technology built so that trades can be analysed later but is data that should be fed immediately back into the Smart Order Router (SOR) logic to inform the next transaction. This process requires that all costs are measured objectively, not against a dataset that is circular, or that can be manipulated.

Clients should benefit directly and automatically from the robust and correct analysis of their trades in real time. We believe that client data can and should be used to the benefit of clients, but this can only happen if the standards already set are supported by the GFXC.

Responses to Questions

B4.1- Would we use the template?

NCFX answer: No.

The template asks all the right questions, but with one critical failing - it ignores skew, or market impact.

Market impact is the immediate cost of the liquidity choice and can only be measured by comparing arrival and execution rates from outside the venue being measured. Using data from within the system reflects the wrong cost.

Measuring transaction costs begins with the arrival mid-rate at the time an order is externalised to the market.

In the proposed questionnaire the algo providers are asked to record the arrival mid-rate of the algo as the top-of-the-book mid-rate on the primary ECN at the start of the parent order and the reference Bid and Offer rate from the primary ECN at the time of trade of each child order.

We can only assume this idea was suggested by an ECN proposing itself as the primary ECN.

Principle Based Objections

We disagree with this approach for several principle-based reasons:

- It is anti-competitive to crown a specific ECN as the 'primary' in a competitive market that is changing all the time. The appointment of an ECN to the role of 'primary' confers a huge competitive advantage to one ECN over all others due to the desire of any algo provider to cloak or minimise market impact costs and so preferring to trade on that ECN.
- We would question how the definition of 'primary' would work as certain ECNs have strengths and volumes in certain pairs, and weaknesses in others. Similarly, the world of a 'dominant' ECN has vanished as market shares of former heavyweights diminish with new competitors entering the market.
- We would have concerns about the ability of an algo provider to manipulate the primary ECN. This is done by automatically adding a bid or offer to skew the ECN at the inception of an algo's execution, a concern that should be considered more generally in any case.

These principle-based objections are supported by practical objections rooted in how TCA works.

Objections Based On How TCA Works

With regard to TCA, we must first approach the subject from the regulatory requirement. In Europe under the Packaged Retail and Insurance-based Investment Products Standards (PRIIPS) which is also the standard for MiFiD2, the Regulatory Technical Standard requires the following:

> "In calculating the costs associated with Foreign Exchange, the arrival price must reflect a reasonable estimate of the consolidated price and must **not** simply be the price available from a single counterparty or foreign exchange platform". (Annex VI Methodology for the Calculation of Costs point 17).

The proposal by the GFXC to use the mid-rate from a single ECN value therefore directly conflicts with the standard provided in law by European regulators.

The question therefore arises, why is there a requirement in regulation for a consolidated price benchmark? Why did the regulator require that consumers of TCA do not just use the rate from a single ECN, or directly from the liquidity provider who filled the client order?

Consider the following scenario where an algo provider strictly follows the proposed GFXC TCA template. The arrival price is reported as the prevailing mid-rate on a notional primary ECN at 1.1428. The NCFX mid-rate benchmark (a consolidated mid-rate taken from multiple ECNs, not just one) shows a consolidated mid-rate of 1.1427.

The client obtains a final aggregated fill for the parent BUY order of 1.1429. The client would see costs of 1 pip, whereas the actual cost, relative to what was available in the market was 2 pips. The choice of measuring against a single venue rate has hidden 50% of the cost.

Spread costs are comprised of two components; an absolute component which is the bid ask spread, and a skew component, which measures the extent to which bid-ask quote mid-points are skewed relative to the consolidated mid-rate.

Consider another example: In figure 1 we have a client that is quoted a wide spread, but the mid-rate corresponds to the overall market mid-rate.

In figure 2, the client pays a narrower spread, but the bid and offer are skewed to the right, or higher.

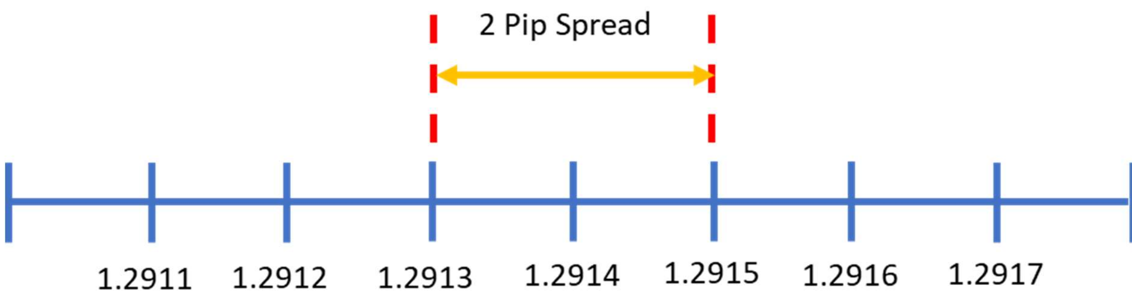

Fig. 1. Scenario 1. Client wishes to buy GBP 1,000,000 versus USD. Cost in this scenario is $100 as the client pays 1.2915 verses a mid-rate of 1.2914.

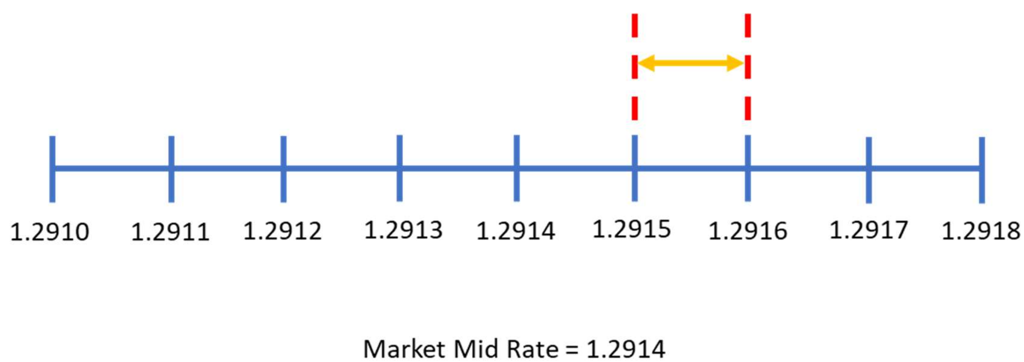

Fig. 2. 2nd Scenario. Client wishes to buy GBP 1,000,000 vs USD. The cost in this scenario is $200 as the client pays 1.2916. The mid-rate they see is 1.29155, but the actual aggregated mid-rate is 1.2914. The client sees a visible spread of $50 and pays in addition an invisible skew of $150.

Measuring costs against a single platform therefore hides the cost of skew.

The choice of venue is itself a contributor to transaction cost, and venues impact cost differently through their technology, latency, users and so on. If all a client's trades are done on the same platform, and that platform's mid-rate is used to measure those costs, it is impossible to determine the opportunity cost of trading on that platform relative to the potential cost of trading on another. We have found algo providers who deliberately favour execution on a venue because they know they will be measured by the prices from that venue.

Measuring costs against another platform, as proposed by the GFXC, simply shows the difference in skew between the two platforms. It also gives algo providers an easy target to beat. This approach also invites liquidity on to a platform simply *because* it is being used as a benchmark in a TCA calculation. Of course, one ECN would be delighted but others might reasonably be less happy, and clients would be getting duff TCA.

Permanent market impact is defined as the change (or difference) in mid-rates. By restricting market impact to the difference between 2 venues, there is a significant portion of market impact that is not being measured. Where trading and measurement occur on the same platform the instantaneous part of market impact is not measured at all. This matters because market impact has a strong decay function. It dissipates over time, but the strongest effect is instantaneous.

A consolidated view of the market

Looking again at the motivations that drove the regulators, the reporting standards for FX cost reporting in PRIIPS/MiFiD2 demonstrate that the regulators understand the potential pitfalls of biased and/or circular measurement. This understanding should be reflected in the standards set by the GFXC.

We propose that the GFXC change their TCA arrival mid requirement to the New Change FX mid-rate or any other live, regulated, independent benchmark. By taking this approach the GFXC will ensure an algorithmic trading market that is open and transparent. This will create a more liquid and fairer market.

B4.2 – Do you have any comments on the contents of the template?

NCFX answer: Excepting the issue of the Arrival Price discussed above in B4.1 the TCA template asks the right questions, offering a standard on which to assess competing algo offerings.

NCFX response to GFXC Response for Feedback ends.

The main principles impacted are: 9,18,19,22,29,35,36,41,50 and 53 (below the topic of each one of them)

You can find the summary of the feedbacks

- ## Anonymous Trading (impacted principles: 9,19,22,29)

A1	**SG do agree with the proposed Data-related addition to Principle 9**
A2	**SG do agree with the proposed Tag-related additions to Principles 9, 19 and 22**
A3	**SG do agree with the proposed Credit-related additions to Principles 29 and 41**

A4.1	**SG do agree with the proposed Identification of Code Signatory-related addition to Principle 22**
A4.2	**SG do agree with the included footnote to the proposed addition to Principle 22**
A4.3	**SG do agree with the added example to Annex 1, which would map to Principle 22**

- **FX Settlement Risk (impacted principles: 35,50,53)**

D.1	**SG mainly do agree with the proposed changes to the Code's guidance on the management of settlement risk with the comments below**

-Principle 35:

➔ SG would suggest that they add "hence".
"…Where PVP settlement is not used, Market Participants should reduce the size and duration of their Settlement Risk as much as practicable. Hence, the netting of FX settlement obligations (including the use of automated settlement netting systems) is encouraged."

➔ SG is not comfortable at all with this section, which is far from our practices:
"If a counterparty's chosen method of settlement prevents a Market Participant from reducing its Settlement risk (for example…), then the Market Participant should consider decreasing its exposure limit to the counterparty or creating incentives for the counterparty to modify its FX settlement methods"

It would be better that this text wasn't added for 3 reasons:

1. Indeed, with a counterpart SG is not only dealing FX with a counterpart, and SG needs to consider the commercial relationship as a whole;
e.g. SG may have pre-existing loans with a counterpart, or financing a counterpart and providing them FX spot trades, financing (debtor risk) can last years
while delivery/settlement risk on spot trades last a few days.

2. Technically, SG doesn't decrease exposure limit to the counterparty, if the counterparty does not settle PVP (bilaterally or via CLS).
SG sets a risk appetite (via binding limits) for the counterparty for all risk types (including delivery/settlement risk) based on its financial strength.
Delivery/settlement risk exposures are compared to limits everyday (monitoring).
SG decreases the limit if the counterpart becomes weaker.

3. SG accepts settlement risks on FX (i.e. non PVP settlement a.k.a. FOP settlements) with many banks and potentially with central banks.

➔ The use of the word "incentive" in the suggested language addition to Principle 35 seems a little odd, almost encouraging firms to pay for adherence, rather than drive the market through common goal of orderly markets. Ideally, would like to see different approach/language in place of the word "incentives" in the suggested

- "… Market Participants should consider taking additional steps to promote settlement best practices, including creating internal incentives and mechanisms to reduce risks associated with FX settlement."

- "… then the Market Participant should consider decreasing its exposure limit to the counterparty or working to encourage creating incentives for the counterparty to modify its FX settlement methods."

-Principle 50:
The part of the text to be added is very close to what is written in BCBS 241 (paragraph 3.2.12).
SG has some level of comfort with the proposed amendments.

-Principle 53:
SG is comfortable with the proposed amendments.

- **Disclosures (impacted principles:9,19,36)**

C1.1	**Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?**
	Most of items highlighted in the Disclosure Cover Sheet are already mentioned in the Disclosure Notice of the main LPs. It looks like a duplicate without adding a real value to the customer. It may also create confusion for the customer who will have to read numerous documents.
C1.2	**Do you have feedback on the proposed content of the LP Cover Sheet (annex 1)?** Most of items highlighted in the Disclosure Cover Sheet are already mentioned in the Disclosure Notice of the main LPs. It looks like a duplicate without adding a real value to the customer. It may also create confusion for the customer who will have to read numerous documents.

C2.1	**Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?**
	It should work the other way around i.e. each platform should initiate this Cover sheet and fill it as far as they grant access to a new LP and/or extend the current scope (e.g. extension from RFS Spot to RFS NDF).
C2.2	**Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?** Given that the environment is evolving continuously (acquisition, new entrant, etc..), it will be much easier to have it filled automatically by the e-platform.

C3	**Do you support the proposed Code changes to include explicit references to trade rejection information in Principle 9 and Principle 36?**
	Yes, but only where it does not negatively impact on the current behavior (i.e. ensuring that the customer is provided with a rejection reason).

C4	**Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?**
	In general terms: yes

- **Proposals for Enhancing Transparency to Execution Algorithms and Supporting Transaction Cost Analysis (impacted principles:18)**

B1	When providing feedback, please state your relationship to algorithmic execution:
	☒ Algo Provider ☐ Algo User ☐ Technology/data provider ☐ Other

Transaction Cost Analysis Data Template (see Transaction Cost Analysis Data Template on page 14 and context provided in TCA and data availability on page 4)

B2.1	Will you use the template? If not, why not? **Yes, as an add-on to our TCA reporting tool.**
B2.2	Which version of the template do you prefer?
	☐ aspirational ☒ basic
B2.3	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s). **Execution Venue Code Adherence** This information is not published by the execution venue to the algo provider, and it needs to be granular at the trade level: we use some execution venues that adhere to the code where we trade against some liquidity providers that do not adhere to the code.
B2.4	Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?
	Aspirational version (in months): .. basic version (in months): **6**
B2.5	Do you have any comments on the proposals regarding implementation, maintenance and measuring success? **Our experience on sending similar files to our customers has shown little, if zero, interest in such documents. The success of this initiative will rely upon the community using it, and its willingness to allocate sufficient resources.**

Amendment of Principle 18 to introduce Transaction Cost Analysis (TCA) and to encourage market participants to use the data template (see Principle 18 on page 12 and context provided in TCA and data availability on page 4)

B2.7	Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template? **No**

Amendment of Principle 18 to cover conflicts of interest (see Principle 18 on page 12 and context provided in Conflicts of interest on page 7)

B3	Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest? **No**

Algo Due Diligence Template (see Algo Due Diligence Template on page 17 and context provided in Disclosure and user education on page 9)

B4.1	Will you use the template? If not, why not? **Yes**
B4.2	Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s). **Question 11 needs to be more specific, in describing the situations for market risk issues, counterparty risk issues and settlement risk issues; in its current form, this question will be responded with much disclaimer style statements that will make it purposeless.** **Question 19 needs a definition for lit execution venue. This is vernacular language with no universal understanding.**

B4.3	Do you have any comments on the proposals regarding implementation, maintenance and measuring success? **No.**

Amendment to Principle 18 to encourage the use of the Algo Due Diligence Template (see Principle 18 on page 12 and context provided in Disclosure and user education on page 9)

B5	Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template? **No**

Additional entries for the Code's glossary (see Glossary on page 13)

B6.1	Do you agree with the definition of Transaction Cost Analysis? If not, what would you change? **Yes**
B6.2	Do you agree with the definition of algorithmic execution? If not, what would you change? **Yes**
B6.3	Do you agree with the definition of aggregation services? If not, what would you change? **Yes**

The Investment Association
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Hugo.gordon@theia.org
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May 7th, 2021

TO: Global FX Committee

RE: GFXC Request for Feedback on Proposals to Amend FX Global Code of Conduct

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.5 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. The UK investment management industry is the largest in Europe and the second largest globally.

The IA has long been supportive of the Global FX Code, and welcomes the opportunity to provide input into the Global FX Committee's consultation on proposed amendments to it. As users of FX markets, our members have a keen interest in ensuring that those markets function to a high standard and that FX market participants operate according to global best practice.

This response collates the views of our members on the various consultation papers issued by the GFXC as part of this consultation. We do not propose to answer every question in detail, and instead comment on those areas that are of most significant importance to our members.

Anonymous Trading

Data Policy – The IA considers the proposed amendment to Principle 9 to be reasonable, on the basis that the information being provided by the platform is of a generic basis, particularly on matters of a commercially sensitive nature.

Tags – For Principle 9 the addition regarding disclosures of information and how these are managed seem reasonable and should provide users comfort as to how their data will be managed and maintained.

With this in mind, the IA's members suggest that the suggested additions to Principle 19 be incorporated within the additions made to Principle 9, or revised to indicate the practice of 're-tagging' adheres to what has been outlined in their rulebook tag policies as per the suggested addition to Principle 22.

Identification of Code signatories on anonymous trading platforms –The suggested additions appear reasonable and should be made available on a pre-trade basis and stored via tags by the platform. The onus should fall on the platform to obtain this information from users. If a user has not then the policies of the platform in question should reflect how they prevent interaction with other users who do not wish to trade with non-signatories.

Algo Trading

The IA considers that the proposed amendments represent a satisfactory and much needed update of the Code, and welcomes the standardised questionnaire and increased disclosures which will help asset managers in assessing algo execution in order to provide best execution to their clients.

The IA considers however that the due diligence questionnaire could go further and request further disclosures. We bring to the attention of the GFXC the IA's own recently published FX algo due diligence questionnaire.[1]

Disclosures

Any disclosure cover sheet for both liquidity providers and platforms should follow a standardised format and the information provided should not be of a commercially sensitive nature.

The IA supports the proposed changes to Principles 9 and 36. In particular we welcome the language around improved reject code disclosure, and bring to the attention of the GFXC our position on standardised reject codes – we encourage execution providers to adopt these codes.[2]

The IA supports the proposed code changes to Principle 19.

Settlement Risk

The IA supports the use of payment-vs-payment settlement, and encourages its wider use.

With regards to Principle 53, the IA does not consider that this amendment is necessary. There may be situations which occur that outside the control of the market participant which lead to a "strategic fail", even if they are adhering to principles 35 and 50.

[1] IA Electronic Trading FX Algo Due Diligence Questionnaire, https://www.theia.org/sites/default/files/2021-04/Due%20Diligence%20Questionnaire_UPDATED.pdf
[2] IA Position on Standardisation of Reject Codes in FX Trading, https://www.theia.org/sites/default/files/2020-02/20200205-standardisationofrejectcodes.pdf

We would be delighted to discuss further any of the matters raised in our response.

Hugo Gordon
Policy Specialist, Capital Markets

----- Forwarded Message -----
From: PLATONOFF Dimitri <dimitri.platonoff@ubp.com>
To: codefeedback@globalfxc.org
Cc: ALAM Khairul <khairul.alam@ubp.com>, AGARWAL Sandeep <sandeep.agarwal@ubp.com>
Sent: Fri, 07 May 2021 05:59:38 +0200 (CEST)
Subject: Re: Participation in the Apr 21 Global FX Code Survey

Good morning,

Pleas below our feedback to the Apr 21 Global FX Code Survey :

Section A

* question A1: YES
* question A2: YES
* question A3: YES
* question A4.1: YES
* question A4.2: YES
* question A4.3: YES

Section B

N/A as the branch do not indulge in Algo trading.

Section C

* question C1.1: YES
* question C1.2: NO
* question C2.1: YES
* question C2.2: NO
* question C3: YES
* question C4: YES

Section D

* question D1: YES

Best regards,

Dimitri Platonoff
Head of Treasury & Trading Asia
Managing Director

Union Bancaire Privée, UBP SA Singapore Branch Level 38 | One Raffles Quay | North Tower | Singapore 048583 D +65 6730<tel:%2B41%2079%20911%2045%2050> 8018 | M +65 8139 2603 | T +65 6730<tel:%2B41%2058%20819%C2%A021%2011> 8088 | F +65 6730<tel:%2B41%2079%20911%2045%2050> 8068 [cid:image001.png@01D742CF.EB08B980]

To: Global Foreign Exchange Committee (“**GFXC**”)

29 April 2021

Dear Sirs

RE: GFXC Request for Feedback: Execution Algorithms and Supporting Transaction Cost Analysis

XTX Markets Limited (“**XTX**”) welcomes the opportunity to provide feedback to the GFXC in respect of the proposed amendments to the Global FX Code (the “**Code**”) in respect of enhancing transparency of execution algorithms and transaction cost analysis. XTX is an adherent to the Code and strongly supports its principles, and the work of the GFXC, in promoting the integrity and effective functioning of the wholesale foreign exchange market. XTX was actively engaged in the development of the Code and has played an active part in subsequent GFXC working groups, including in relation to enhancing transparency for execution algorithms and supporting transaction costs analysis.

XTX strongly supports the proposals in the GFXC Request for Feedback. They will facilitate greater transparency as to how a provider’s execution algorithm operates, as well as providing a mechanism to allow market participants to more easily evaluate the design and performance of execution algorithms.

B1 - Please state your relationship to algorithmic execution

XTX is an Algo Provider

B2.1 Will you use the template? If not, why not?

XTX will use the template and encourages all liquidity providers to do so. Enhanced transparency in a standard format allows market participants to make a more informed decision as to whether the design and performance of an execution algorithm is suited to its trading objectives.

B2.2 Which version of the template do you prefer? Aspirational or Basic?

We would welcome adoption of either template but prefer the aspirational template, due to the increased level of transparency contained within it.

B2.3 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. mentioning the data element(s) that you are missing or consider not necessary) and substantiate your comment(s).

The "Reference Market Bid Rate” and “Reference Market Offer Rate" fields are expressed to be the “*Top of book bid/offer rate on the primary ECN at the time of the child order’s action*”. However, some liquidity providers will not have access to primary markets and, those that do, may be restricted (contractually or otherwise) from re-distributing this data. XTX’s view is that fills would be better analysed in a third-party TCA provider and that these TCA platforms may procure their own – independent – mid-rates, which can then be uniformly applied to analyse orders from different liquidity providers. If each liquidity provider provides their own reference data, meaningful comparisons are harder.

B2.4 Following the publication of the new version of the FX Global Code, how much time would you need in order to be able to provide/take data in the proposed format?

Both basic and aspirational versions would be a trivial amount of work; it would take developers less than one month to implement from the time they began working on it. This should be the same for all major liquidity providers.

B2.5 Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

We have no comments on the proposals.

B2.6 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

Not Applicable

B2.7 Do you have any comments on the additional text in Principle 18 to encourage market participants to use the Transaction Cost Analysis Data Template?

We strongly support the additional text in Principle 18 to encourage market participants to use the TCA data template.

B3 Do you have any comments on the additional text in Principle 18 around the disclosures of conflicts of interest?

We strongly support the additional text in Principle 18 around the disclosures of conflicts of interest.

Algo Due Diligence Template

B4.1 Will you use the template? If not, why not?

We would use the template and strongly encourage all algo providers to do so. There is a clear and immediate need for standardised templates as highlighted by the BIS report on FX execution algorithms and market functioning[1]. Currently, we receive bespoke templates from sophisticated clients and it would be more efficient from a provider perspective to complete a single template for all clients.

From a client perspective, a standardised template makes it easier for them to compare the design of an execution algorithm and determine the suitability of it to their trading objectives. For less sophisticated clients who do not currently provide questionnaires, they will benefit from the additional disclosure and it will help highlight to them the questions that they should be asking to their providers.

B4.2 Do you have any comments on the content of the template? If so, please be as specific as possible (e.g. suggesting rephrased or additional questions, commenting on questions to be removed) and substantiate your comment(s).

The content of the template is excellent and should not be changed. The level of detail is appropriate and we would strongly caution against reducing the level of detail within it for the following reasons: (i) a client who wishes to know less may always disregard questions; whereas, if the detail were reduced, clients wishing to know more would be unable to find the answers; (ii) less sophisticated clients will learn from reading the questionnaire (which incorporates questions proposed by sophisticated buy-side users) that may not have occurred to other clients but do affect them; and (iii) the template was inspired from

[1] https://www.bis.org/publ/mktc13.htm

questionnaires received from buy-side clients and incorporated feedback from a wide range of buy-side and sell-side participants.

Additionally, we have no concerns that these questions would reveal any proprietary information. Providers may choose to provide high-level or detailed answers as they see appropriate. Furthermore, liquidity providers may choose to send the completed questionnaire bilaterally to their clients, should they feel concerned about sharing the responses publicly.

B4.3 Do you have any comments on the proposals regarding implementation, maintenance and measuring success?

In terms of implementation, this should be simple, as it involves completing the questionnaire and providing it to their clients. We would suggest that it should be provided to all clients by default rather than an opt-in process.

In terms of maintenance, we agree with the proposal that the template should be reviewed, at a minimum, on the same cycle as the Code itself i.e. every three years.

In terms of measuring success, one measure would be to determine which of the top 15 Euromoney algo providers complete the template and make it available to their clients.

B4.4 In case you are a neutral market body, would you be interested in supporting the GFXC in operationalising these proposals? What could you contribute?

Not Applicable

B5 Do you have any comments on the additional text in Principle 18 around the Algo Due Diligence Template?

We strongly support the additional text in Principle 18 around the Algo Due Diligence Template.

Definitions

B6.1 Do you agree with the definition of Transaction Cost Analysis? If not, what would you change?

We agree with this definition and do not propose any changes

B6.2 Do you agree with the definition of algorithmic execution? If not, what would you change?

We agree with this definition and do not propose any changes

B6.3 Do you agree with the definition of aggregation services? If not, what would you change?

We agree with this definition and do not propose any changes.

Thank you for the opportunity to comment. Please do not hesitate to contact us if you would like to discuss further.

Yours faithfully

Zarthustra Amrolia
Co-CEO
XTX Markets Limited

To: Global Foreign Exchange Committee ("**GFXC**")

29 April 2021

Dear Sirs

RE: GFXC Request for Feedback: Disclosures

XTX Markets Limited ("**XTX**") welcomes the opportunity to provide feedback to the GFXC in respect of the proposed amendments to the Global FX Code (the "**Code**") in respect of disclosures. XTX is an adherent to the Code and strongly supports its principles, and the work of the GFXC, in promoting the integrity and effective functioning of the wholesale foreign exchange market. XTX was actively engaged in the development of the Code and has played an active part in subsequent GFXC working groups.

C1.1 - Do you support the introduction of a Disclosures Cover Sheet for Liquidity Providers?

XTX strongly supports the introduction of disclosure cover sheets for liquidity providers ("**LPs**").

Disclosures and transparency around trading practices of a LP are vitally important in order to enable clients to make an informed decision regarding the nature, impact and risks of their trading with their LP. They also enable a client to determine if a LP's trading practices are consistent with the principles of the Code.

Publication of the Code has led to welcome improvements in the content and detail of LP disclosures but, as the 2019 GFXC Report[1] stated, it is an area that requires improvement. We agree with the summary of key issues in the Disclosure and Transparency Landscape as highlighted in the Request for Feedback. In particular, from our own review of other LP disclosures, the key issues we perceive are:

- **Content:** Certain disclosures do not provide sufficient detail on certain key Code topics – last look in particular - in order for a client to make an informed decision as to how their trade requests will be handled;

- **Clarity:** Disclosures are increasingly being drafted in 'legalese' and it is increasingly difficult for individuals without legal training to decipher them. They also increasingly read as "disclaimers" i.e. a statement as to what the LP's discretion is and how their liability is limited; and

- **Review:** Disclosures across LPs differ greatly in terms of content, format, level of detail and drafting style, making it increasingly difficult for even sophisticated clients to make accurate and meaningful comparisons of the trading practices of their LPs.

Principle 9 of the Code states that a Market Participant should "*provide all relevant disclosures and information to a Client before negotiating a Client order, thereby allowing the Client to make an informed decision as to whether to transact or not*". Our view is that, even where disclosures are being provided, they are not being provided in a manner which allows Clients to make an informed decision as to how their trade requests or orders will be handled.

[1] Global Foreign Exchange Committee Report February 2019: The Role of Disclosure and Transparency in the Global FX Market: https://www.globalfxc.org/docs/the_role_of_disclosure_and_transparency.pdf

A LP cover sheet will allow Clients to more easily compare their LPs and provide direction as to disclosures on key topics, such as last look, which they can use as a basis for discussion with their LPs. It is a welcome step to help achieve the aims of the Code.

However, there are two issues with the approach: (1) as it is on a voluntary basis, some LPs may decide not to complete the sheet; and (2) it does not resolve the issues with underlying disclosures as outlined above. The cover sheet may solve the accessibility issue and direct a client to key disclosure topics, but it does not resolve the issues around content and clarity of the underlying LP disclosures.

Our view is that LPs should be required to provide disclosures in a standard template format. The LP cover sheet would be a good starting point for this but, rather than referring to the text of the underlying disclosure in the relevant box, a LP should be required to include their disclosure within the cover sheet. Only then would the key issues around disclosure and transparency, as highlighted by the GFXC 2019 report, be resolved.

C1.2 – Do you have feedback on the proposed content of the LP Cover Sheet (Annex 1)?

More detail is needed in relation to last look disclosures. Principle 17 of the Code says "*A Market Participant should be transparent regarding its last look practices in order for the Client to understand and to be able to make an informed decision as to the manner in which last look is applied to their trading*". In our opinion, a significant number of LP disclosures are not up to the standard required by the Code in terms of content and detail. Not enough information is provided for the Client to make an informed decision as to how last look is applied to their trading.

Incorporating the below proposed last look topics within the cover sheet will do two important things: (1) flag the key questions for clients that they should be thinking, and asking their LPs, about; and (2) focus LPs to review their last look disclosures to ensure that they meet the standard required by Principle 17. We understand that the purpose of the LP Cover Sheet is not to create additional disclosure requirements above and beyond than what is required by the Code. However, we believe that the points identified below are already required to be disclosed by LPs in accordance with Principle 17; it is all vital information in respect of a LP's last look practices that a client needs to know in order to make an informed decision as to whether to interact with that LP or not.

We would suggest adding the following questions and/or clarifications to "*Section 3 (Last Look)*":

Suggested Amendment	Rationale
Adding in a new question III stating "*If Last Look is employed by a Liquidity Provider, does Liquidity Provider use Additional Hold Times: Yes or No*"	Last Look is clearly defined in Principle 17 of the Code as the right of the LP to accept or reject a trade request. This control allows the LP to carry out the price and/or validity checks that it makes in order to determine whether to accept or reject a trade. This is a right all LPs have in OTC markets. However, the concept of last look has been confused with the use of additional hold times. Additional hold times is the practice of artificially holding trade requests within a LP's system for a defined period of time before applying the last look checks. Some LPs, including XTX, use last look as defined in the Code but do not apply hold times. The concept of last look and hold times are sometimes confused or treated as the same thing, even within some LP disclosures. Some of the conduct issues that arise in respect of last look relate to the use and application of hold times. Therefore, adding in this question will provide clarity between the two topics.

Suggested Amendment	Rationale
Amending the first question of current question III to say: *"If <u>Liquidity Provider uses Hold Times</u>, LP's maximum and minimum <u>and median</u> Hold Times (in m/s)*"	There can be a wide range between minimum and maximum hold times e.g. 0-300m/s. The minimum and maximum times may be outliers due to the nature of the client's trading or the sophistication of the client. Highlighting the median Hold Time would more accurately allow a client to determine what a LP's Hold Time is for a typical client.
Amending the second question of current question III to read: " *Liquidity Providers may briefly describe the circumstances in which "Hold times" are applied <u>and if they vary by Client, (i) reasons why and when this occurs and (ii) why or how a LP decides to change a Client's Hold Time</u>*"	Where a LP applies different Hold Times to different clients, clients need to understand why this and when this occurs. If a LP is applying a current price check in accordance with Principle 17 of the Code, then the price updates it receives from its market data feed will be the same for all clients. Therefore, if hold times vary between clients, a client needs to understand why this is and when that would occur i.e. is a LP using hold times to manage market impact or adverse selection or does it take a LP a longer period of time to generate a current price for particular clients? If a LP can apply different hold times for different books for the same client, then this also needs to be disclosed. A client also needs to understand if their particular hold time can be changed by the LP at any time, with or without notice and, if it can be changed, in what circumstances can this happen. For example, certain LP disclosures allow the LP to increase hold times in times of market stress without notice. This is a critically important disclosure which the Client needs to understand before agreeing to trade at such times due to the impact it could have on its trading, which is why it needs highlighting within the LP cover sheet. We are of the view that good market practice would be to communicate any changes in hold times with prior notice to a client, as this could constitute a material change to the client's view of their trading relationship. LPs cannot make that determination as it is a subjective judgement by the client hence good market practice would be to clearly communicate any changes before they are implemented to allow the client time to determine the impact of those changes on its trading and ask any questions of the LP as to why the changes are happening.
Amendment to current question IV in respect of "Cover and Deal": Where a LP has ticked "Cover and Deal" there should be a free text box where LP can write or link to the text in its disclosures on Cover and Deal	Principle 17 of the Code outlines that a "Cover and Deal" arrangement can only be used if (i) there is an explicit understanding that the Market Participant will fill the Client's trade request without taking on market risk in connection with the trade request by first entering into offsetting transactions in the market; (ii) the volume traded in the last look window will be passed on to the Client in its entirety; and (iii) the understanding is appropriately documented and disclosed to the Client." Without the disclosures relating to the above being highlighted in the cover sheet, the client cannot make the determination that the LP has disclosed that it has met the characteristics needed to offer a 'Cover and Deal' arrangement.

Suggested Amendment	Rationale
New question V: "*Where a Liquidity Provider uses Hold Times, Liquidity Provider's disclosure regarding its median tick to trade times where "tick to trade" means the time it takes a LP to receive market data and refresh the client's current price*"	Principle 17 of the Code states that "t*he price check should be intended to confirm whether the trade request was made remains consistent with the current price that would be available to the Client*". Therefore, if a LP is using last look in accordance with the Code, any application of hold times should be proportionate to how long it takes for the LP to generate the next price after it receives the next market data update, following receipt of the trade request. Disclosure of the median tick to trade times allows the Client to compare this against the disclosed hold times to determine if they are proportionate. It also is a basis for a client to ask its LP questions about the use of hold times in respect to its trading.
New question VI: "*Does LP use rejected order information to inform trading decisions in any way? Yes or No*"	If a LP is using rejected trade requests to inform pricing to that Client when it looks to trade again, this is in breach of the Code and so this is an important topic to be disclosed. The 2019 GFXC Disclosures Report also explicitly states that a key disclosure topic is "If Market Participants use information from rejected trade requests".

C2.1 – Do you support the introduction a Disclosures Cover Sheet for E-Trading Platforms?

XTX strongly supports the introduction of disclosure cover sheets for e-trading platforms ("**Platforms**"). Disclosure and transparency around trading practices on Platforms is an area which requires even more improvement than LP disclosures, as explained above. Accessibility of disclosures is an additional issue in terms of Platforms and many of them do not have, or do not publish, sufficient disclosures.

For the same reasons as outlined for the LP Cover Sheet above, we would also welcome the introduction of standardised template disclosures for all Platforms.

C2.2 - Do you have feedback on the proposed content of the E-Trading Platform Cover Sheet (annex 2)?

More detailed last look disclosures are required in the Platform Cover Sheet. The level of disclosure should be similar to that required for LPs. Platform trading constitutes a significant part of the wholesale FX market and clients need the same level of disclosure and transparency around the trading practices of a Platform, as is required from their LPs. There needs to be a sufficient level of disclosure so that market participants have enough information to determine how their orders interact, and are treated, on the Platform. The content of the Platform Cover Sheet is a welcome improvement but, without the additional last look content, we believe a market participant has insufficient information to make an informed decision.

The Code is intended to apply as a set of principles across the whole FX market and not dependant on the manner of execution. Currently, there is an information asymmetry between LP and Platform disclosures and disclosures are not to the same standards as in a bilateral, disclosed, trading relationship. The level of disclosure needs to be consistent. In fact, there is arguably more of a need to ensure sufficient disclosure and transparency on anonymous Platforms as some LPs determine that Principle 17 only applies to bilateral, disclosed, trading i.e. it allows them to pre-hedge in the last look window on anonymous Platforms. In addition, the GFXC 2020 Report on anonymous Platforms[2] specifically identified last look as a key topic

[2] Global Foreign Exchange Committee Report: The Role of Disclosure and Transparency on Anonymous E-Trading Platforms (https://www.globalfxc.org/docs/GFXC_report_role_of_disclosure_transparency_etrading_platforms.pdf)

of concern, in particular, disclosure of last look criteria, policies and maximum hold times. These concerns have not been fully addressed within the cover sheet.

Specifically, the cover sheet should say that if a Platform is hosting last look or it has a policy on last look, it is required to disclose it to all market participants. Where it does not have a last look policy, it needs to facilitate disclosures on how the LPs on that Platform use last look and disclose what criteria, if any, they impose on LPs. The disclosures should encompass the specific points raised within the GFXC Report on anonymous Platforms.

C3 – Do you support the proposed Code changes to include explicitly references to trade rejection information in Principles 9 and 36?

XTX strongly supports the proposed Code changes.

C4 – Do you support the proposed Code changes to provide additional guidance on how Market Participants handle FX Trading Information internally in Principle 19?

XTX strongly supports the proposed Code changes.

Thank you for the opportunity to comment. Please do not hesitate to contact us if you would like to discuss further.

Yours faithfully

Zarthustra Amrolia
Co-CEO
XTX Markets Limited

To: Global Foreign Exchange Committee (“**GFXC**”)

29 April 2021

Dear Sirs

RE: GFXC Request for Feedback: Anonymous Trading

XTX Markets Limited (“**XTX**”) welcomes the opportunity to provide feedback to the GFXC in respect of the proposed amendments to the Global FX Code (the “**Code**”) in respect of anonymous trading. XTX is an adherent to the Code and strongly supports its principles, and the work of the GFXC, in promoting the integrity and effective functioning of the wholesale foreign exchange market. XTX was actively engaged in the development of the Code and has played an active part in subsequent GFXC working groups, including in relation to anonymous trading.

XTX strongly supports the proposed amendments to the Code in respect of anonymous trading. As described in the GFXC 2020 report[1], trading on anonymous venues constitute a significant part of the wholesale FX market but transparency and disclosure in respect of their trading practices are not to the same standards as in a bilateral disclosed trading relationship. The proposed amendments to the Code will significantly improve transparency for market participants, allowing them to make a more informed determination as to trading behaviours on anonymous venues.

A1 Do you agree with proposed Data-related addition to Principle 9

We strongly support this proposal.

A2 – Do you agree with the proposed Tag-related additions to Principles 9, 19 and 22?

We strongly support this proposal.

A3 – Do you agree with the proposed Credit-related additions to Principles 29 and 41?

We strongly support this proposal.

A4.1 Do you agree with the proposed identification of Code Signatory-related addition to Principle 22?

We strongly support this proposal. We are of the opinion that it should be feasible for most, if not all, anonymous venues to facilitate this disclosure of Code-adherent participants.

A4.2 Do you agree with the included footnote to the proposed addition to Principle 22?

We strongly support this proposal.

A4.3 Do you agree with the added example to Annex 1, which would map to Principle 22?

We strongly support this proposal.

[1] GFXC Report: The Role of Disclosure and Transparency on Anonymous E-Trading Platforms (https://www.globalfxc.org/docs/GFXC_report_role_of_disclosure_transparency_etrading_platforms.pdf)

Thank you for the opportunity to comment. Please do not hesitate to contact us if you would like to discuss further.

Yours faithfully

Zarthustra Amrolia
Co-CEO
XTX Markets Limited