GFXC Request for Feedback – October 2024

Market Participants Feedback

Original submissions

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MEMBERSHIP

ETHICAL CONDUCT

EDUCATION

FINANCIAL MARKETS ASSOCIATION EST.1955

Paris, 25 October 2024

To:

GFXC Secretariat, codefeedback@globalfxc.org

Response to

GFXC Request for Feedback on Amendments to the FX Global Code and the Disclosure Cover Sheets (2024)

About ACI FMA

ACI Financial Markets Association (ACI FMA) is a leading global trade association representing the interests of the professional 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.

Our ACI Model Code was acknowledged as the first industry-wide Code of Conduct for OTC FX and related markets having been built on the original ACI Codes of Conduct from the 1970s. Subsequently updated to embrace the broader OTC community and expanded from the dealing room through to back-office operations, the ACI Model Code has strongly influenced many national Codes of Conduct but was retired in 2017 with the publication of the FX Global Code, the composition of which ACI FMA participated in, as well as in other Code of Conduct initiatives.

ACI FMA has broad applicability in both the buy-side and sell-side of financial services, the public sector and academia. Our members (supporters of relevant industry codes such as the FX Global Code), candidates for our exams, participants in our Committees and Working Groups come from any number of financial and academic sectors.

General Feedback on the proposed amendments to the FX Global Code and the Disclosure Cover Sheets

1) Time frame for Response

ACI FMA recognises the upcoming deadline in December 2024 for the updated version of the FX Global Code. With this in mind, ACI FMA suggests that a longer response period would allow market participants more time to carry out internal discussions and respond to the survey. For future surveys, a longer response window would be beneficial to the GFXC to obtain feedback from a broader range of market participants, enhancing the quality and inclusiveness of the feedback received.

2) Possible impact on Code Adoption

ACI FMA is committed to and actively encourages adoption of the FX Global Code ("Code") and has members involved in the GFXC's Working Groups to increase adoption, particularly on the buy side. ACI FMA is concerned that the intention of the Code is to be principle-based and that changes proposed to the text infer specific requirements as opposed to general principles. In July 2021, the GFXC published "Commentary on Principle 11 and the role of pre-hedging in today's FX landscape". This document set out considerable guidance on how "Market Participants may Pre-Hedge for such purposes and in a manner that is not meant to disadvantage the Client or disrupt the market." ACI FMA agrees with the intention of changes proposed to Code. However, it is concerned that greater friction in/reluctance to Code adoption and adherence may be caused by the increased complexity and proposed specificity espoused in these changes. Nevertheless, presenting these amendments as additional guidance as to how, for example, Settlement Risk should be mitigated, outside the text of the Code, serves a number of purposes and provides a number of benefits:

i) It maintains the Code with a principles-based structure
It reduces friction in adherence
ii) It allows for more detailed guidance and clearer descriptions to remove potential for incorrect interpretations (for example definitions of "anonymised" and "aggregated" referred to in proposed changes to Principle 9)

Specific Feedback on Changes

Do you agree with the proposed changes to Principle 35? If not, why not? Please elaborate.

ACI FMA does agree with the intention of the changes to Principle 35. However, ACI FMA would propose that this would be better handled as additional guidance as opposed to changes in the Code for the reasons previously mentioned.

ACI FMA agrees with the intention to minimise gross bilateral settlement: "Where practicable, gross bilateral settlement should be minimised". However, gross bilateral settlement should not be avoided where timeliness is key and other alternatives (eg. netting) are not possible. This could stifle innovation in settlement solutions going forward. ACI FMA suggests that this further illustrates why these changes would be better handled via additional guidance.

Furthermore, ACI FMA believes that the word "eliminate" should be replaced by the word "minimise" in Principle 35. Some firms may find that adherence to a Code with such absolute terms to be problematic. As an example, CLS states "Our centralized platform and approach to multilateral netting mitigates settlement risk". Finally, the proposed amendments to Principle 35, included in the GFXC's Request for Feedback, include an aim to "Strengthen language around staff training" (point 4 of those proposed amendments) but we fail to see that aim reflected in the proposed new draft of this Principle, as mitigating Settlement Risk should be a responsibility for all staff members involved in FX Operations (not just for their Management).

Do you agree with the proposed changes to Principle 50? If not, why not? Please elaborate.

As with the previously proposed questions, ACI FMA does agree with the intention of the changes to Principle 50 apart from the comment in general feedback that this would be better handled as additional guidance as opposed to changes in the Code for the reasons already mentioned.

Do you agree with the proposed changes to Principle 51? If not, why not? Please elaborate.

ACI FMA agrees with the intention of the changes to Principle 51 apart from the comment in general feedback that this would be better handled as additional guidance as opposed to changes in the Code for the reasons mentioned.

With regard to the phrase, "The use of multiple settlement instructions (as opposed to a single SSI) SSIs with the same counterparty for a given product and currency is strongly discouraged and should only be used where a business risk or reason necessitates it.", ACI FMA would suggest that this is open to interpretation as to which business risks or reasons are *necessary.* Therefore, ACI FMA would advocate that further guidance on this text is necessary and desired.

Do you agree with the proposed addition to the Glossary? If not, why not? Please elaborate.

ACI FMA agrees with the additions to Glossary.

Do you agree with the proposed changes to Principle 9? If not, why not? Please elaborate.

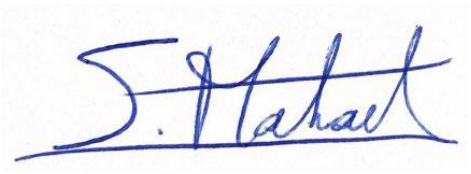
ACI FMA agrees with the changes and additions to Principle 9. However, ACI FMA is concerned that the removal of the wording "when hosting multiple liquidity providers" increases the scope of the requirement to include Single Dealer Platforms. If this is the intention of the change then it may have significant implications for some firms, and as such allowing some period of time for implementation would be helpful in allowing firms to remain Code compliant.

Do you agree with the proposed changes to Principle 10? If not, why not? Please elaborate.

ACI FMA considers that the changes to Principle 10 should be clear that they include Delegated/Managed Execution. Further that Delegated/Managed Execution is sufficiently complex subject that it warrants separate additional guidance.

In addition, ACI FMA is concerned that the changes to the current drafting might unintentionally bring other order types into the scope of this text, such as Fixing Orders, and orders submitted for Algorithmic execution.

Kind regards,



Stephane Malrait

ACI FMA Chairman

Kim Winding Larsen

ACI FMA President

Dear All,

I hope this message finds you well.

Please find below our comments on the GFXC Request for Feedback.

We request that our company's comments be published without disclosing our company name.

We have comments on Principles 35,9,10, and Liquidity Provider Disclosure Cover Sheet.

Principle 35

Market participants should regularly review their agreed settlement method choices, taking into account the scale of settlement risk, with a view to reducing settlement risk as much as practicable.

We would like to propose the insertion of the phrase "taking into account the scale of settlement risk."

We support efforts to reduce FX settlement risk.

However, we have many clients with whom we do not need to uniformly require regular review of the agreed choice of settlement method.

This is due to the market practices with Japanese clients.

In Japan, clients usually settle both currencies between accounts within the same bank, and there is no settlement risk except for the risk of the bank’s failure.

The workload of regularly reviewing the agreed settlement methods with these clients would be enormous, and since changes are not expected, it would not be practically beneficial.

Therefore, we would like to propose the insertion of the phrase "taking into account the scale of settlement risk" to ensure that only transactions involving transfers of funds outside the bank are targeted.

Principle 9

"Our request is to clarify whether a group IT company managing the platform would be considered a 'third party' under this section.

The draft of the Liquidity Provider Disclosure Cover Sheet includes the phrase 'for the commercial purpose,' and with this phrase, we can consider that a group IT company is outside the scope of 'third party' under this section.

However, this phrase is not present in Principle 9 itself.

We request that the phrase 'for the commercial purpose' will be inserted into Principle 9 itself as well."

Principle 10

The scope of the transactions is not clear.

We believe that general bank transactions such as client orders and algorithmic transactions are not included.

Please clarify that these transactions are outside the scope.

Liquidity Provider Disclosure Cover Sheet

Principle 9 has been revised to '**not** anonymized and **not** aggregated,' but the Liquidity Provider Disclosure Cover Sheet remains '**not** anonymized and aggregated.'"

The Liquidity Provider Disclosure Cover Sheet also needs to be revised to '**not** aggregated.'

Regards

GLOBAL FOREIGN EXCHANGE COMMITTEE – Proposed Code Changes

ANZ Response, October 2024.

The GFXC proposals include recommendations for changes to 5 of the Code's 55 principles (P9, P10, P35, P50 and P51) and amendments to the Disclosure Cover Sheets for both Liquidity Providers and Platforms.

GFXC Proposed changes to the FX Global Code (2024)	
PRINCIPLE 35 – SETTLEMENT RISK *Market Participants should reduce their Settlement Risk as much as practicable, ~~including~~ by settling FX transactions through ~~services~~ settlement methods that eliminate Settlement Risk, for example by using services that provide payment-versus-payment (PVP) settlement where available.* When determining settlement methods for FX transactions Market Participants should consider the following hierarchy to reduce Settlement Risk: 1. Where ~~never~~ practicable, Market Participants should eliminate Settlement Risk, for example by using settlement services that provide ~~payment versus payment~~ (PVP) settlement. 2. Where Settlement Risk cannot be eliminated ~~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~~ in particular the use of automated netting systems), is encouraged. 3. Where practicable, gross bilateral settlement should be minimised. Where used by Market Participants, and where practicable, the netting of FX settlement obligations ~~a process of settling Payments on a net basis~~ should be supported by appropriate documentation (for example, market standard netting documentation). Such obligation netting may be bilateral or multilateral.	**ANZ Feedback:** ANZ agrees with the intent to minimise gross bilateral settlement, however, agrees with ACI FMA, that PVP minimises settlement risk, it does not eliminate it. Gross bilateral settlement should not be avoided where timeliness is key and other alternatives (e.g. netting) are not possible. This addition may also impede settlement innovation.

Market Participants should agree which settlement method will be used for a given product and currency as part of the counterparty onboarding process. Once agreed, the settlement method should be used consistently, and ad-hoc arrangements with the same counterparty considered only on an exception basis. Market Participants should also review their agreed settlement method choices on a regular basis with a view to reducing Settlement Risk as much as practicable. The Management of each area involved in a Market Participant's FX operations should have a thorough ~~obtain at least a high-level~~ understanding of the settlement process and the tools that may be used to mitigate Settlement Risk, including, where available, the use of PVP settlement. Market Participants should consider creating internal ~~incentives and~~ mechanisms to reduce risks associated with FX settlement. For example, by using automated solutions over manual processes. Market Participants should also monitor industry developments in Settlement Risk mitigation and seek to adopt best practice. ~~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, creating incentives for the counterparty to modify its FX settlement methods or taking other appropriate risk mitigation actions.~~	
PRINCIPLE 50 – NETTING AND SETTLEMENT PROCESSES *Market Participants should properly measure, monitor, and control their Settlement Risk equivalently to other counterparty credit exposures.* ~~*of similar size and duration*~~ Where PVP settlement is not practicable ~~used~~, Settlement Risk should be properly measured, monitored, and controlled. To avoid underestimating the size of the exposure to a counterparty, Market Participants should recognise that the exposure includes the full value of all payments that cannot be recalled or cancelled, and any trades not confirmed to have settled with finality. ~~Market Participants should set binding ex-ante limits and use controls~~	**ANZ Feedback:** ANZ supports the proposed change.

~~equivalent to other credit exposures of similar size and duration to the same counterparty. When a decision is made to allow a Client to exceed a limit, appropriate approval should be obtained~~. To avoid underestimating the ~~size and~~ duration of exposures, Market Participants should recognise that Settlement Risk exposure to their counterparty begins when a payment order for ~~on~~ the sold 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~~ and ends when the purchased currency is confirmed to have settled with finality ~~during the reconciliation process.~~ [*Note that this paragraph has been moved up*] Market Participants should set ex-ante limits not greater than the maximum exposure they are willing to take with a particular counterparty, and use controls equivalent to those that are applied to other credit exposures to the same counterparty. Market Participants should monitor usage to ensure that exposures do not exceed limits. When a decision is made to allow a counterparty to exceed a limit, appropriate approval should be obtained. Where settlement amounts are to be netted, the initial confirmation of trades to be netted should be performed as it would be for any other FX transaction. All initial trades should be confirmed before they are included in a netting calculation. In the case of bilateral netting, processes for netting settlement values used by Market Participants should also include a procedure for confirming the bilateral net amounts in each currency at a predetermined cut-off point that has been agreed between the counterparties ~~upon with the relevant counterparty~~. [*Note that this paragraph has been moved down]*	

PRINCIPLE 51 – NETTING AND SETTLEMENT PROCESS *Market Participants should ~~utilise~~ use standard ~~standing~~ settlement instructions (SSIs).* SSIs ~~for all relevant products and currencies~~ should be in place, where practicable, for all relevant products and currencies for counterparties with whom a Market Participant has a trading relationship. The responsibility for entering, authenticating, and maintaining SSIs should reside with personnel clearly segregated from a Market Participant's trading and sales personnel and ideally from those operational personnel responsible for trade settlement. SSIs should be securely stored and provided to all relevant settlement systems ~~so as~~ to facilitate straight-through processing. The use of multiple settlement instructions (as opposed to a single SSI) ~~SSIs~~ with the same counterparty for a given product and currency is strongly discouraged and should only be used where a business risk or reason necessitates it. Because of the Settlement Risks it introduces, the use of multiple settlement instructions ~~SSIs~~ with the same counterparty for a given product and currency should have appropriate controls. Where multiple settlement instructions are used, there should be a default SSI that applies until otherwise advised. SSIs should be set up with a defined start date and captured and amended (including audit trail recording) with the appropriate approvals, such as review by at least two individuals. Counterparties should be notified of changes to SSIs with sufficient time in advance of their ~~implementation~~ effective date. Changes, notifications, and new SSIs should be delivered via an authenticated, and standardised message type, whenever possible. All transactions should be settled in accordance with the SSIs in force on the value date. Trades that are outstanding at the time SSIs are changed (and have a value date on or after the start date for the new SSIs) should be reconfirmed prior to settlement (either bilaterally or through an authenticated message broadcast).	**ANZ Feedback** ANZ supports the intent of the proposed change but recommends the following wording be removed 'and should only be used where a business risk or reason necessitates it.' The code is principles based and this statement is too prescriptive.

Where SSIs are not available (or existing SSIs are not appropriate to the particular trade), the alternate settlement instructions to be used should be delivered as soon as practicable. These instructions should be exchanged via an authenticated message or other secure means and subsequently verified as part of the trade confirmation process.	
GLOSSARY [The following terms would be added to the glossary in alphabetical order] **Standard Settlement Instructions (SSIs):** Payment instructions that have been agreed in advance, and used to transfer funds every time a trade is executed with the same counterparty for a given product and currency. Standard Settlement Instructions may also be referred to as "standing settlement instructions". **Value Date**: The date on which a Market Participant and its counterparty agree to settle their obligations, by making relevant payments and transferring ownership of the currencies traded.	**ANZ Feedback:** ANZ supports the proposed change.
PRINCIPLE 9 – EXECUTION *Market Participants should handle orders fairly and with transparency in line with the capacities in which they act.* Market Participants operating FX E-Trading Platforms should: • have rules that are transparent to users; • make clear any restrictions or other requirements that may apply to the use of the electronic quotations; • establish clarity regarding the point at which market risk may transfer; • 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).	**ANZ Feedback:** The code is principles based and this statement is too prescriptive, as it requires electronic venues to 'explicitly state their policies on sharing client interaction data' to allow clients to compare data sharing policies more easily. ANZ does not agree with the proposed changes to the fifth and last bullet point.

• explicitly state – ~~when hosting multiple liquidity providers – market data policies~~ their policies on sharing Client interaction data, i.e., order or transaction data derived from client interactions, that is not anonymised and not aggregated, with third parties, within applicable disclosure documents (including rulebooks, guidelines, etc.), 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. Policies on sharing Client Interaction data shall not apply to data shared with explicit Client consent, or disclosures required under applicable law or as otherwise requested by a relevant regulatory or public authority, or with market participants as defined under Principle 20. In order to allow Clients to compare data sharing policies more easily, the use of the GFXC's Disclosure Cover Sheets is encouraged. • Client interaction data include but are not limited to data on potential or actual FX transactions by clients, including requests for quotes, and other transaction data related to a Client order or trade execution	
PRINCIPLE 10 - EXECUTION *Market Participants should handle orders fairly, with transparency, and in a manner consistent with the specific considerations relevant to different order types.* …. ~~Finally~~, Market Participants handling orders that have the potential to have sizable market impact should do so with particular care and attention. For example, there are certain transactions that may be required in the course of business, such as those related to merger and acquisition activity, which could have a sizable impact on the market Market Participants who initiate Client orders in a Principal role, where execution of FX Transactions is subject to a written agreement in advance with the Client identifying when the Market Participant should initiate such FX Transactions (such as auxiliary services to facilitate a securities or futures transaction or FX hedging services agreements), should:	**ANZ Feedback:** ANZ recommends the GFXC undertake more consultation and review. The intent of the principle is for participants to handle orders fairly, with transparency and in a manner consistent with the specific considerations relevant to different order types. The proposed changes are open to interpretation and requires more clarity. In the current form it could be interpreted that this paragraph will apply to all transactions that are subject to a written agreement, including for example large transactions. Thus, requiring the executing entity to formally document and issue to the client an execution policy and post trade formally report to client rates at the time of execution. Further refinement required to ensure conditions only apply to transactions under delegated/managed execution, if deemed necessary such guidance could be better handled in separate additional guidance. The proposed changes are moving away from Principle based guidelines to prescriptive requirements.

• Operate within the parameters of that written agreement;
• Establish and disclose a transparent order execution policy including:
  ○ Factors affecting the execution of Client orders;
  ○ Factors affecting the choice of execution venues; and
  ○ Information as to how the Principal provides fair and transparent execution of Client orders.
• Be transparent with the Client about terms and conditions, principally setting out fees and commissions applicable throughout the term of the agreement; and,
• Make available sufficient information to enable the Client to assess the quality of execution. Where available, this should include the date and time of execution along with market reference rates at the time of execution.	

ANNEX 1 [The following are two examples that would be included in the Annex, mapped to Principles 9 and 10, respectively] Example on disclosure of data sharing policies for a Liquidity Provider. An asset manager executes a trade to buy 50 million GBP/USD on an electronic platform. The platform shares non-aggregated, non-anonymised details of the trade (e.g., order amount, order start time, price traded, mid at arrival, etc.) with a third party that provides TCA. The transaction data is also shared with an FX analytics firm that provides the platform with analysis on the client's FX activities. Financial details of the transaction, such as revenue generated from the trade, are shared with the platform's auditors. The platform should disclose that it shares non-aggregated and non-anonymised transaction data with a TCA provider and with the FX analytics firms within applicable disclosure document(s) and the GFXC's Disclosure Cover Sheet. The platform does not need to disclose that it shares revenue data with its auditors as this is permissible under Principle 20.	**ANZ Feedback:** Refer to feedback above, Principle 10 The example relates to participants who have custodial arrangements, although Principle 10 does not exclusively apply to custodial arrangements. Should the Principle above be refined to apply only when custodial arrangements are in place.

Do you agree with the added example to Annex 1, which would map to Principle 9? If not, why not? Please elaborate. Example on disclosures for a Principal executing a transaction on behalf of a Client, which is initiated by the Principle subject to a pre-agreed written agreement. A Market Participant acting in a Principal role and in association with custodial responsibilities and the terms of a written FX services agreement with a Client, purchases ZAR to fund security purchases on behalf of its Client and applies a pre-agreed spread/fee to the exchange rate transacted on-market. The Market Participant also makes available information to assist the Client to judge the quality of execution, including the time and date of the transaction, along with the market reference rate prevailing at the time, where available. These circumstances fulfil the criteria in Principle 10 for heightened disclosure requirements, namely: • The Market Participant acting as Principal initiates the trade on behalf of the Client • There is a pre-agreed written agreement authorising the Principal to initiate the trade A Market Participant acting in these circumstances should clearly set out the terms and conditions of that execution relationship, including any applicable fees and commissions	
PLATFROM DISCLOSURE COVER SHEET	**ANZ Feedback:** Although this Disclosure Cover Sheet does not apply to ANZ, there is merit in disclosing how data is used. Although there is concern that any additional cost with disclosure will be passed on to the platform users.
LIQUIDITY PROVIDER DISCLOSURE SHEET	Refer ANZ Feedback above regarding proposed changes to Principle 9.

GFXC Request for Feedback – October 2024

Amendments to the FX Global Code and Disclosure Cover Sheets

Annex A: GFXC Proposed changes to the FX Global Code (2024)

This document describes the proposed modifications to the FX Global Code as part of its Three-Year Review. Participants in the public consultation process are expected to provide their comments on this document.

I. FX Settlement Risk Working Group Proposals

The objectives of the FX Settlement Risk Working Group are to: i) gain a better understanding of FX Settlement Risk, ii) promote the adoption of FX Settlement Risk mitigation; and, iii) analyse the potential impact of accelerated securities settlement on the FX market.

As a first step in its work plan, the Working Group undertook a review of the FX Global Code (the "Code") to consider whether Principles 35, and Principles 50 through 55, remain fit for purpose.

Proposed amendments to the existing Code (July 2021) are shown in red. Text that is proposed for deletion is struck through.

Principle 35

The proposed amendments aim to:

1. Introduce a risk waterfall approach, whereby Market Participants should consider a specified hierarchy of methods for reducing FX Settlement Risk.
2. Promote consistent use of agreed settlement methods (payment versus payment, bilateral or multilateral netting etc.)
3. Make it clearer that all Market Participants have a responsibility for reducing FX Settlement Risk.
4. Strengthen language around staff training.

Proposed Amendments

SETTLEMENT RISK - PRINCIPLE 35

Market Participants should reduce their Settlement Risk as much as practicable, ~~including~~ by settling FX transactions through ~~services~~ settlement methods that eliminate Settlement Risk, for example by using services that provide payment-versus-payment (PVP) settlement where available.

When determining settlement methods for FX transactions Market Participants should consider the following hierarchy to reduce Settlement Risk:

1. Where ~~never~~ practicable, Market Participants should eliminate Settlement Risk, for example by using settlement services that provide ~~payment versus payment (~~PVP~~)~~ settlement.
2. Where Settlement Risk cannot be eliminated ~~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~~ in particular the use of automated netting systems), is encouraged.

3. Where practicable, gross bilateral settlement should be minimised.

Where used by Market Participants, and where practicable, the netting of FX settlement obligations ~~a process of settling Payments on a net basis~~ should be supported by appropriate documentation (for example, market standard netting documentation). Such obligation netting may be bilateral or multilateral.

Market Participants should agree which settlement method will be used for a given product and currency as part of the counterparty onboarding process. Once agreed, the settlement method should be used consistently, and ad-hoc arrangements with the same counterparty considered only on an exception basis. Market Participants should also review their agreed settlement method choices on a regular basis with a view to reducing Settlement Risk as much as practicable.

The Management of each area involved in a Market Participant's FX operations should have a thorough ~~obtain at least a high level~~ understanding of the settlement process and the tools that may be used to mitigate Settlement Risk, including, where available, the use of PVP settlement. Market Participants should consider creating internal ~~incentives and~~ mechanisms to reduce risks associated with FX settlement. For example, by using automated solutions over manual processes. Market Participants should also monitor industry developments in Settlement Risk mitigation and seek to adopt best practice.

~~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, creating incentives for the counterparty to modify its FX settlement methods or taking other appropriate risk mitigation actions.~~

Please also see the Confirmation and Settlement section for further details on this topic.

Do you agree with the proposed changes to Principle 35? If not, why not? Please elaborate.

Principle 50 *We agree with the proposal amendment. A more constructed and clear mechanism to eliminate or strongly reduce the settlement risk is highly recommended, particularly between market players. We are particularly supportive for the proposal to set already at the on boarding process the SSI.*

The proposed amendments aim to:

1. Make it clearer that FX Settlement Risk exposures should be treated in line with other credit risk exposures to the same counterparty.

2. Simplify the language around estimating the size and duration of FX Settlement Risk exposures.

Proposed Amendments

III. NETTING AND SETTLEMENT PROCESSES

PRINCIPLE 50

Market Participants should properly measure, monitor, and control their Settlement Risk equivalently to other counterparty credit exposures. ~~of similar size and duration~~

Where PVP settlement is not practicable ~~used~~, Settlement Risk should be properly measured, monitored, and controlled. To avoid underestimating the size of the exposure to a counterparty, Market Participants should recognise that the exposure includes the full value of all payments that cannot be recalled or cancelled, and any trades not confirmed to have settled with finality. ~~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. When a decision is made to allow a Client to exceed a limit, appropriate approval should be obtained.~~

To avoid underestimating the ~~size and~~ duration of exposures, Market Participants should recognise that Settlement Risk exposure to their counterparty begins when a payment order for ~~on~~ the sold 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~~ and ends when the purchased currency is confirmed to have settled with finality ~~during the reconciliation process~~. *[Note that this paragraph has been moved up]*

Market Participants should set ex-ante limits not greater than the maximum exposure they are willing to take with a particular counterparty, and use controls equivalent to those that are applied to other credit exposures to the same counterparty. Market Participants should monitor usage to ensure that exposures do not exceed limits. When a decision is made to allow a counterparty to exceed a limit, appropriate approval should be obtained.

Where settlement amounts are to be netted, the initial confirmation of trades to be netted should be performed as it would be for any other FX transaction. All initial trades should be confirmed before they are included in a netting calculation. In the case of bilateral netting, processes for netting settlement values used by Market Participants should also include a procedure for confirming the bilateral net amounts in each currency at a predetermined cut-off point that has been agreed between the counterparties ~~upon with the relevant counterparty~~. *[Note that this paragraph has been moved down]*

Do you agree with the proposed changes to Principle 50? If not, why not? Please elaborate.

We agree with the proposal amendment. The settlement risk has to be considered equal to credit risk and monitored accordingly. Hence the art.35 became even more relevant in order to reduce the impact of this risk in setting counterparty limit.

Principle 51

The proposed amendments aim to:

1. Strengthen the language around discouraging the use of multiple settlement instructions with the same counterparty.
2. Clarify the difference between Standard Settlement Instructions and settlement instructions.
3. Clarify that the term "SSI" refers to **Standard** Settlement Instruction.

Proposed Amendments

PRINCIPLE 51

Market Participants should ~~utilise~~ use standard ~~standing~~ settlement instructions (SSIs).

SSIs ~~for all relevant products and currencies~~ should be in place, where practicable, for all relevant products and currencies for counterparties with whom a Market Participant has a trading relationship. The responsibility for entering, authenticating, and maintaining SSIs should reside with personnel clearly segregated from a Market Participant's trading and sales personnel and ideally from those operational personnel responsible for trade settlement. SSIs should be securely stored and provided to all relevant settlement systems ~~so as~~ to facilitate straight-through processing.

The use of multiple settlement instructions (as opposed to a single SSI) ~~SSIs~~ with the same counterparty for a given product and currency is strongly discouraged and should only be used where a business risk or reason necessitates it. Because of the Settlement Risks it introduces, the use of multiple settlement instructions ~~SSIs~~ with the same counterparty for a given product and currency should have appropriate controls. Where multiple settlement instructions are used, there should be a default SSI that applies until otherwise advised.

SSIs should be set up with a defined start date and captured and amended (including audit trail recording) with the appropriate approvals, such as review by at least two individuals. Counterparties should be notified of changes to SSIs with sufficient time in advance of their ~~implementation~~ effective date. Changes, notifications, and new SSIs should be delivered via an authenticated, and standardised message type, whenever possible.

All transactions should be settled in accordance with the SSIs in force on the value date. Trades that are outstanding at the time SSIs are changed (and have a value date on or after the start date for the new SSIs) should be reconfirmed prior to settlement (either bilaterally or through an authenticated message broadcast).

Where SSIs are not available (or existing SSIs are not appropriate to the particular trade), the alternate settlement instructions to be used should be delivered as soon as practicable.

These instructions should be exchanged via an authenticated message or other secure means and subsequently verified as part of the trade confirmation process.

Do you agree with the proposed changes to Principle 51? If not, why not? Please elaborate.

Agreed. The rephrasing increases comprehensibility of the principle itself. Additionally, the explicit reference of the discouragement to the usage of multiple SSIs with the same counterparty for a given product and currency is going toward a major transparency, standardization and efficiency of market practices, which are at the base of the FX code of conduct itself.

Glossary

[The following terms would be added to the glossary in alphabetical order]

Standard Settlement Instructions (SSIs): Payment instructions that have been agreed in advance, and used to transfer funds every time a trade is executed with the same counterparty for a given product and currency. Standard Settlement Instructions may also be referred to as "standing settlement instructions".

Value Date: The date on which a Market Participant and its counterparty agree to settle their obligations, by making relevant payments and transferring ownership of the currencies traded.

Do you agree with the proposed addition to the Glossary? If not, why not? Please elaborate.

Adding "SSIs" and "Value Date" definitions to the glossary would reinforce the readability of the code from a wider spectrum of market participants.

II. FX Data Working Group Proposals

The automation of the FX market has increased the importance and value of data. In response to the evolution of the FX market, the Working Group was mandated to: "analyse how the use of FX data could be made more transparent to market participants in order to improve market transparency and enable a level playing field".

The Working Group identified two areas of the Code that would benefit from additional clarity:

(i) enhanced transparency around user-generated trade data on electronic trading venues; and,
(ii) more transparency on FX data/transactions under certain types of "delegated execution". Cost aspects of data were excluded as commercial aspects are not part of the GFXC's remit.

Proposed amendments to the existing Code (July 2021) are shown in red. Text that is proposed for deletion is struck through.

Principle 9

The Working Group proposes that Principle 9 be amended to:

1. encourage FX-E platforms to provide better disclosures around sharing FX data derived from Client interactions with third parties.
2. Reflecting the feedback on the need to better clarify "third parties", Principle 9 has been amended to refer to Principle 20 (sharing confidential information) to be as consistent as possible on "third parties" that are NOT in scope for FX-E platforms to provide additional disclosures.

The amendments further promote using Disclosure Cover Sheets (DCS) to enhance transparency and comparability across providers.

Proposed Amendments

PRINCIPLE 9

Market Participants should handle orders fairly and with transparency in line with the capacities in which they act.

Market Participants are expected to handle orders with fairness and transparency. How this is done, and what the relevant good practices are, vary depending upon the role in which those Market Participants are acting, as described in Principle 8 above. While the FX Market has traditionally operated as a Principal-based market, Agency-based execution also takes

place. Accordingly, this principle takes into account both Principal and Agency models as well as FX E-Trading Platforms and Interdealer Brokers.

ROLES

Irrespective of their role, Market Participants handling orders should:

- have clear standards in place that strive for a fair and transparent outcome for the Client;
- be truthful in their statements;
- use clear and unambiguous language;
- make clear whether the prices they are providing are firm or merely indicative;
- have adequate processes in place to support the rejection of Client orders for products they believe to be inappropriate for the Client;
- not enter into transactions with the intention of disrupting the market (see Principle 12 in Execution for further guidance); and
- 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.

Market Participants should make Clients aware of such factors as:

- how orders are handled and transacted, including whether orders are aggregated or time prioritised;
- the potential for orders to be executed either electronically or manually, depending on the disclosed transaction terms;
- the various factors that may affect the execution policy, which would typically include positioning, whether the Market Participant managing Client orders is itself taking on the associated risk or not, prevailing liquidity and market conditions, other Client orders, and/or a trading strategy that may affect the execution policy;
- where discretion may exist or may be expected, and how it may be exercised;
- the basis on which trade requests and/or orders might be rejected; and
- whenever possible, what the time-stamping policy is and whether it is applied both when the order is accepted and when it is triggered or executed (see Principle 36 in Risk Management and Compliance for further guidance).

Market Participants handling Client orders in a Principal role should:

- disclose the terms and conditions under which the Principal will interact with the Client, which might include:
  - √ that the Principal acts on its own behalf as a counterparty to the Client;
  - √ how the Principal will communicate and transact in relation to requests for quotes, requests for indicative prices, discussion or placement of orders, and all other expressions of interest that may lead to the execution of transactions; and
  - √ how potential or actual conflicts of interest in Principal-dealing and market making activity may be identified and addressed;
- establish clarity regarding the point at which market risk may transfer;

- have market-making and risk management activity, such as hedging, commensurate with their trading strategy, positioning, risk assumed, and prevailing liquidity and market conditions; and
- have internal Mark Up policies consistent with applicable guidelines elsewhere in this Global Code.

Market Participants handling Client orders in an Agent role should:

- communicate with the Client regarding the nature of their relationship;
- seek to obtain the result requested by the Client;
- establish a transparent order execution policy that should supply information relevant to the Client order that may include:
  √ information on where the firm may execute the Client orders;
  √ the factors affecting the choice of execution venues; and
  √ information as to how the Agent intends to provide for the prompt, fair, and expeditious execution of the Client order;
- be transparent with the Client about their terms and conditions, which clearly set out fees and commissions applicable throughout the time of the agreement; and
- share information relating to orders accepted on an Agency basis with any market-making or Principal trading desks only as required to request a competitive quote. (See Principle 19 in Information Sharing for further guidance.)

Market Participants operating FX E-Trading Platforms should:

- have rules that are transparent to users;
- make clear any restrictions or other requirements that may apply to the use of the electronic quotations;
- establish clarity regarding the point at which market risk may transfer;
- 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).
- explicitly state ~~– when hosting multiple liquidity providers – market data policies~~ their policies on sharing Client interaction data, i.e., order or transaction data derived from client interactions, that is not anonymised and not aggregated, with third parties, within applicable disclosure documents (including rulebooks, guidelines, etc.), 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.

Policies on sharing Client Interaction data shall not apply to data shared with explicit Client consent, or disclosures required under applicable law or as otherwise requested by a relevant regulatory or public authority, or with market participants as defined under Principle 20. In order to allow Clients to compare data sharing policies more easily, the use of the GFXC's Disclosure Cover Sheets is encouraged.

- Client interaction data include but are not limited to data on potential or actual FX transactions by clients, including requests for quotes, and other transaction data related to a Client order or trade execution.

Market Participants operating anonymous FX E-Trading Platforms that feature unique identifiers ("tags") should, where applicable:

- have appropriate disclosure to all users of what specific counterparty information is provided for tags, and to whom this information is provided;
- have appropriate disclosure to all users indicating at what point in a transaction a user tag is provided to their counterparty;
- have disclosure documents (including rulebooks, guidelines, etc.) that contain clear policies related to how tags are assigned and managed, including policies related to re-tagging;
- maintain audit trails for all tag assignments and re-tags

Market Participants acting as Interdealer Brokers (IDBs) should:

- meet similar expectations as described above for Market Participants handling Client orders in an Agent role.

IDBs may operate via voice, such as Voice Brokers, or may operate either partially or wholly electronically. Those with an electronic component are also considered FX E-Trading Platforms and thus should also meet the expectations described for Market Participants operating FX E-Trading Platforms.

Market Participants acting as Clients should:

- be aware of the responsibilities they should expect of others as highlighted above;
- be aware of the risks associated with the transactions they request and undertake; and
- regularly evaluate the execution they receive.

Do you agree with the proposed changes to Principle 9? If not, why not? Please elaborate.

Principle 10

Agreed. Increasing the transparency requirements for Market Participants operating FX E-Trading Platforms around sharing FX data derived from Client interactions with third parties totally matches an important aspect of the ongoing evolution of the market. Data sharing & protection, increasing interactions and interconnections, disclosure requirements are important aspects to be considered and embedded in the set-up of an E-trading platform.

The Working Group proposes to:

1. Incorporate enhanced transparency obligations around certain types of delegated execution activity in Principle 10. The activities captured under these obligations are the execution of FX transactions, which have been delegated to a service provider who also acts as Principal to the trade from a counterparty perspective (e.g., custodian, prime broker, futures clearer, hedging service provider).

Under this type of execution, the Principal initiates the trade on behalf of the Client as authorised under a written agreement in advance of trading. These obligations enable the Client to have greater visibility on order handling by the Principal, transparency on fees/costs, and enhance the ability to conduct post-trade reviews to assess the quality of execution.

Proposed Amendments

PRINCIPLE 10

Market Participants should handle orders fairly, with transparency, and in a manner consistent with the specific considerations relevant to different order types.

Market Participants should be aware that different order types may have specific considerations for execution. For example:

Market Participants handling a Client's Stop Loss Order should:

- obtain from the Client the information required to fully define the terms of a Stop Loss Order, such as the reference price, order amount, time period, and trigger;
- disclose to Clients whether risk management transactions may be executed close to a Stop Loss Order trigger level, and that those transactions may impact the reference price and result in the Stop Loss Order being triggered.

  Indicative Examples of Unacceptable Practices:

  - trading or otherwise acting in a manner designed to move the market to the Stop Loss level; and
  - offering Stop Loss Orders on a purposefully loss-making basis.

Market Participants filling a Client order, which may involve a partial fill, should:

- be fair and reasonable based upon prevailing market circumstances, and any other applicable factors disclosed to the Client, in determining if and how a Client order is filled, paying attention to any other relevant policies;
- make a decision on whether, and how, to fill a Client order, including partial fills, and communicate that decision to the Client as soon as practicable; and
- fully fill Client orders they are capable of filling within the parameters specified by the Client, subject to factors such as the need to prioritise among Client orders and the availability of the Market Participant's credit line for the Client at the time.

Market Participants handling a Client's order to transact at a particular fixing rate (Fixing Order):

- should understand the associated risks and be aware of the appropriate procedures;
- should not, whether by collusion or otherwise, inappropriately share information or attempt to influence the exchange rate;
- should not intentionally influence the benchmark fixing rate to benefit from the fixing, whether directly or in respect of any Client-related flows at the underlying fixing; and

- should behave consistently with the Financial Stability Board's Foreign Exchange Benchmark Report Recommendations,[4] including but not limited to:
  √ pricing transactions in a manner that is transparent and is consistent with the risk borne in accepting such transactions; and
  √ establishing and enforcing internal guidelines and procedures for collecting and executing Fixing Orders.
  Indicative Examples of Acceptable Practices:
  - transacting an order over time before, during, or after its fixing calculation window, so long as not to intentionally negatively impact the market price and outcome to the Client.

[footnote] 4 See the Financial Stability Board Final Report on Foreign Exchange Benchmarks, September 30, 2014.

- collecting all Client interest and executing the net amount;

Indicative Examples of Unacceptable Practices:

- buying or selling a larger amount than the Client's interest within seconds of the fixing calculation window with the intent of inflating or deflating the price against the Client;
- buying or selling an amount shortly before a fixing calculation window such that there is an intentionally negative impact on the market price and outcome to the Client;
- showing large interest in the market during the fixing calculation window with the intent of manipulating the fixing price against the Client;
- informing others of a specific Client dealing at a fixing rate;
- and acting with other Market Participants to inflate or deflate a fixing rate against the interests of a Client. (See Principles 19 and 20 in Information Sharing for further guidance.)

~~Finally,~~ Market Participants handling orders that have the potential to have sizable market impact should do so with particular care and attention. For example, there are certain transactions that may be required in the course of business, such as those related to merger and acquisition activity, which could have a sizable impact on the market

Market Participants who ***initiate*** Client orders in a Principal role, where execution of FX Transactions is subject to a written agreement in advance with the Client identifying when the Market Participant should initiate such FX Transactions (such as auxiliary services to facilitate a securities or futures transaction or FX hedging services agreements), should:

- Operate within the parameters of that written agreement;
- Establish and disclose a transparent order execution policy including:
  - Factors affecting the execution of Client orders;
  - Factors affecting the choice of execution venues; and

  - Information as to how the Principal provides fair and transparent execution of Client orders.
- Be transparent with the Client about terms and conditions, principally setting out fees and commissions applicable throughout the term of the agreement; and,
- Make available sufficient information to enable the Client to assess the quality of execution. Where available, this should include the date and time of execution along with market reference rates at the time of execution.

Do you agree with the proposed changes to Principle 10? If not, why not? Please elaborate.

Agreed. Amendment includes several aspects already present in existing regulation and that should be at the center of market practices. Transparency is a key in handling orders from clients and it is fundamental for market participants acting as Principal to firmly respect agreement - not only written ones. Transparency standards should be respected not only in the pre-trading phase but only during the execution, ensuring the client the possibility to access them in a straight and timely manner. Information must be enough comprehensive to allow clients to compare the quality of the service received.

Annex I

[The following are two examples that would be included in the Annex, mapped to Principles 9 and 10, respectively]

Example on disclosure of data sharing policies for a Liquidity Provider.

An asset manager executes a trade to buy 50 million GBP/USD on an electronic platform. The platform shares non-aggregated, non-anonymised details of the trade (e.g., order amount, order start time, price traded, mid at arrival, etc.) with a third party that provides TCA. The transaction data is also shared with an FX analytics firm that provides the platform with analysis on the client's FX activities. Financial details of the transaction, such as revenue generated from the trade, are shared with the platform's auditors.

The platform should disclose that it shares non-aggregated and non-anonymised transaction data with a TCA provider and with the FX analytics firms within applicable disclosure document(s) and the GFXC's Disclosure Cover Sheet. The platform does not need to disclose that it shares revenue data with its auditors as this is permissible under Principle 20.

Do you agree with the added example to Annex 1, which would map to Principle 9? If not, why not? Please elaborate.

We do agree. The example proposed embeds the right transparency requirements mentioned in Principle 9, cross-references to principle 20 and aligns with relevant Disclosure documents and Disclosure Sheets.

Example on disclosures for a Principal executing a transaction on behalf of a Client, which is initiated by the Principle subject to a pre-agreed written agreement.

A Market Participant acting in a Principal role and in association with custodial responsibilities and the terms of a written FX services agreement with a Client, purchases ZAR to fund security purchases on behalf of its Client and applies a pre-agreed spread/fee to the exchange rate transacted on-market. The Market Participant also makes available information to assist the Client to judge the quality of execution, including the time and date of the transaction, along with the market reference rate prevailing at the time, where available.

These circumstances fulfil the criteria in Principle 10 for heightened disclosure requirements, namely:

- The Market Participant acting as Principal initiates the trade on behalf of the Client
- There is a pre-agreed written agreement authorising the Principal to initiate the trade

A Market Participant acting in these circumstances should clearly set out the terms and conditions of that execution relationship, including any applicable fees and commissions.

Do you agree with the added example to Annex 1, which would map to Principle 10? Please elaborate.

We do Agree. The example proposed aligns with principle 10 criteria and clearly explains the due transparency requirements of the Market Participant in its relationship with Client.

Good morning,

At Baillie Gifford we fully support the changes to *Annex B: GFXC Proposed changes to the Liquidity Provider Disclosure Cover Sheet (2024)*. We are pleased to see the “Client interaction data” questions and view this as essential to maintaining professional and fair markets.

We do not have a view on Annex C but would be concerned that the cost of providing the extra data requests might deter some firms from signing up for the code.

Similarly, we support the intention to tighten FX settlement risk and are comfortable with the proposed additions and changes to the wording.

Finally, I want to highlight our concern that we are still struggling to get accurate timestamps from some global custodian banks. In the three years since the 2021 version of the Code was introduced, it is extremely disappointing that some of the largest FX providers are still struggling to provide an accurate timestamp we can use for our analysis. As an example, in a recent exercise, we found that some time stamps show the trade was executed at the weekend!

We feel there needs to be increased emphasis on banks signing up to the Code to provide accuracy and if they cannot, there should be a reporting mechanism to the Central Bank, in our case the Bank of England.

Yours sincerely

Adam Conn,

Director, Head of Trading

Baillie Gifford Overseas Limited

Good morning GXFC;

On behalf of *BBVA México, S.A, Institución de Banca Múltiple, Grupo Financiero BBVA México*, we have reviewed in detail the information contained in the annexes described in the request for comments and we have no comments on the substance or form of the proposed changes to the FX Global Code, regarding the proposed changes to the FX Global Code, and the Liquidity Provider and Platrform Disclosure Cover Sheets.

Regards,

--

Jorge Arturo González Chavarría

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Hi Janusz,

We have made a review on this issued and we agree in all the porpused changed to the principals and examples to be added.

BEst Regards,

Isabel

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Dear GFXC,

Please see below Citi's response to the proposed changes.

FX Code Proposal:

Market Participants who initiate Client orders in a Principal role, where execution of FX Transactions is subject to a written agreement in advance with the Client identifying when the Market Participant should initiate such FX Transactions (such as auxiliary services to facilitate a securities or futures transaction or FX hedging services agreements), should:

- Operate within the parameters of that written agreement;
- Establish and disclose a transparent order execution policy including:

√ Factors affecting the execution of Client orders;

√ Factors affecting the choice of execution venues; and

√ Information as to how the Principal provides fair and transparent execution of Client orders.

- Be transparent with the Client about terms and conditions, principally setting out fees and commissions throughout the agreement; and
- Make available sufficient information to enable the Client to assess the quality of execution. Where available, this should include the date and time of execution along with market reference rates at the time of execution.

Citi Concerns:

1. **The requirement to provide reference rates.**
    a. Principle 36 already states that Market Participants should record timestamps and that "information should be made available to Clients upon request, to provide sufficient transparency regarding their orders and transactions to facilitate informed decisions regarding their market interactions." In addition, Principle 9 states that all Market Participants should make Clients aware "whenever possible, what the time-stamping policy is and whether it is applied both when the order is accepted and when it is triggered or executed (see Principle 36 in Risk Management and Compliance for further guidance).
    b. Our view is principle 9 is sufficient for all Market Participants. It does not make sense for there to be a heightened obligation on Custodians (for instance) to provide market reference rates. Citi is happy to provide time-stamping but the provision of a reference rate is challenging in EM jurisdictions and not done in G10 Markets.

c. TCA Providers exist to allow Market Participants to assess execution and provide an independent review of execution rates and the responsibility for reviewing execution quality rests with the Client or its agent. This is consistent with regulatory best execution regimes and typically, in most jurisdictions, regulatory obligations cannot be outsourced. Our view is banks should make the necessary information available but should not lead the conversation with 'market reference rates' or determine what information is 'sufficient' to allow a Client to make its own independent determination. Further information on timestamps included below.
d. In a number of markets it is not possible to produce a reliable reference rate and we have concerns that the provision of reference rates could be construed as the provision of a benchmark (something that Citi and a number of leading banks are not licensed to distribute).
e. To the extent third party benchmarks are relied upon, licenses may not permit the provision of such rates and Market Participants should obtain such rates directly from licensed benchmark providers. In fact a new consultation on spot FX benchmarks in Europe has recently begun.

2. **Requirement for an Order Execution Policy**
   a. Citi supports providing greater transparency to Clients and the factors listed. However we do not support the requirement for order execution policies when they are not required in a number of jurisdictions and will create significant issues outside the U.S, Europe and the UK. The Global Code should remain principle based in this regard. This is largely covered under Principle 9 which in our view squarely applies to the entities contemplated as Market Participants.

Please see below, directly from Principle 9, Principles as that apply to all Market Participants.

Market Participants should make Clients aware of such factors as:

λ how orders are handled and transacted, including whether orders are aggregated or time prioritised;

λ the potential for orders to be executed either electronically or manually, depending on the disclosed transaction terms;

λ the various factors that may affect the execution policy, which would typically include positioning, whether the Market Participant managing Client orders is itself taking on the associated risk or not, prevailing liquidity and market conditions, other Client orders, and/or a trading strategy that may affect the execution policy;

λ where discretion may exist or may be expected, and how it may be exercised;

λ the basis on which trade requests and/or orders might be rejected; and

λ whenever possible, what the time-stamping policy is and whether it is applied both when the order is accepted and when it is triggered or executed (see Principle 36 in Risk Management and Compliance for further guidance).

Market Participants handling Client orders in a Principal role should:

λ disclose the terms and conditions under which the Principal will interact with the Client, which might include:

√ that the Principal acts on its own behalf as a counterparty to the Client;

√ how the Principal will communicate and transact in relation to requests for quotes, requests for indicative prices, discussion or placement of orders, and all other expressions of interest that may lead to the execution of transactions; and

√ how potential or actual conflicts of interest in Principal-dealing and market making activity may be identified and addressed;

λ establish clarity regarding the point at which market risk may transfer;

λ have market-making and risk management activity, such as hedging, commensurate with their trading strategy, positioning, risk assumed, and prevailing liquidity and market conditions; and

λ have internal Mark Up policies consistent with applicable guidelines elsewhere in this Global Code.

3. **Fees**
    a. We propose adding clarity to make clear that not all FX transactions will include pre-agreed spreads. In certain instances, a mark-up will be applied to compensate the Market Participant for a number of considerations, which might include risks taken, costs incurred, and services rendered to a particular Client. In such instances, the Market Participant will comply with Principle 14 of the Code.

Citi Proposal:

Market Participants who initiate Client orders in a Principal role, where execution of FX Transactions is subject to a written agreement in advance with the Client identifying when the Market Participant should initiate such FX Transactions (such as auxiliary services to facilitate a securities or futures transaction or FX hedging services agreements), should:

- Operate within the parameters of that written agreement;
- Should make Clients aware of the various factors that may affect the execution, including information as to how the Principal provides fair and transparent execution of Client orders in accordance with Principle 14.
- Be transparent with the Client about terms and conditions, principally setting out(where applicable) fees and commissions throughout the agreement; and
- Whenever possible, make available the date and time of execution to enable the Client to assess the quality of execution. Additional information may be made available to Clients upon request, to provide transparency regarding their orders and transactions to facilitate informed decisions regarding their market interactions.

In addition, Citi supports the provision of greater transparency to Market Participants through more detailed and standardised timestamping. Once timestamping is available and standardised, end users can either use it to analyse their executions internally or instruct a third party TCA provider – something that is consistent with the position in respect of the broader FX Market. As noted in the attached guide, "given the speed at which FX markets move, it has been noted by members that any timestamp that is more than a few seconds wide makes effective transaction cost analysis effectively impossible." We echo these concerns for reference rates without conformity around timestamping.

The below are previous recommendations from the Investment Association that Citi would support being introduced under the FX Global Code:

In order to help alleviate these concerns, the IA's FX Committee3 has drawn up a set of recommendations to improve the transparency of custodians' approach to trading emerging market currencies and providing timestamps, as well as improve the availability of data from local sub-custodians:

ENGAGEMENT BETWEEN CUSTODIANS AND CLIENTS

During conversations between custodians and IA members it became clear that there often appeared to be a gap between what clients expected to receive in terms of data, and what custodians had agreed to or were able to provide.

RECOMMENDATION

Custodians and their clients should engage regularly to ensure custodians are aware of the level of client expectations, and clients are aware of what limits exist to a custodian's ability to provide up-to-the-millisecond timestamps.

TRANSPARENT EMERGING MARKET CURRENCIES POLICY

IA members have expressed concern that in some instances their custodians were unable to provide written policies demonstrating their approach to trading emerging market currencies.

RECOMMENDATION

Custodians should provide their clients, at the beginning of a commercial relationship and henceforth on client request or after any material change, with a written policy that clearly spells out their approach to trading individual emerging market currencies and currency pairs. This policy should include:

· Key information on trading and execution policies, including whether trades are netted and at what time trading is expected to occur;

· Where delegation to a sub-custodian may occur, and the process for choosing and reviewing sub-custodians;

· Approach to timestamping – what timestamps are provided, at what level of precision, how they are provided if an order is sliced into multiple trades and if there are any local regulatory or market structural issues that may hamper the ability to provide accurate timestamps or any timestamp at all.

DATA TRANSMISSION

IA members have faced issues where data is provided to them by their custodians in a non-machine readable or non-consistent fashion, which impacts their ability to conduct an effective analysis of the information received.

RECOMMENDATION

Information provided should be machine-readable, and should be provided in each instance to individual clients according to the same pre-agreed fashion.

LEVERAGING COMMERCIAL RELATIONSHIPS WITH SUB-CUSTODIANS

Clients do not have direct access to or commercial relationships with most sub-custodians, and therefore cannot bring commercial pressure to bear on these entities to improve the timestamps they receive. It is important to emphasise that local market or regulatory difficulties should not be used as a catch-all excuse for explaining away deficiencies in timestamp provision, and it is up to custodians to ensure they have the necessary policies in place and are engaging with their sub-custodians to ensure, to the best of their ability, that clients receive the data they need.

RECOMMENDATION

Custodians should ensure all sub-custodians are aware of the level of data they are expected to provide, and should leverage the commercial relationships they have with those sub-custodians to apply commercial pressure where the provision of such data is below expected levels.

Principle 35 - Principle 35 proposed change to agree SSIs at the point of Onboarding is problematic as that is not how Banks operate. SSIs are typically exchange much later when products are being set up. As such, we would request the deletion of “Market Participants should agree which settlement method will be used for a given product and currency as part of the counterparty onboarding process.” Alternatively for it to discussed by Market Participants prior to trading.

Principle 51 - strongly discourages the use of multiple settlement instructions but does not account for the fact that in large institutions diverse products/services being provided by different business units often dictate different settlement instructions. We take the view that this could be clarified in the supporting guidance to illustrate examples of “a business risk or reason that necessitates it” as whilst we support the principle will have certain limitations.

Many thanks,

Rafiel

Dirk Bullmann
Managing Director, Office of the CEO
dbullmann@cls-group.com

October 23, 2024

Via email

codefeedback@globalfxc.org

Re: GFXC Request for Feedback on Amendments to the FX Global Code and Disclosure Cover Sheets

Dear GFXC Secretariat:

CLS Bank International ("CLS") welcomes the opportunity to respond to the request for feedback issued by the Global Foreign Exchange Committee ("GFXC").

Background

CLS operates the world's largest multicurrency cash settlement system (the "CLS system") and provides payment-versus-payment ("PvP") settlement in 18 currencies directly to over 70 members, some of which provide access to the CLS system for over 35,000 third-party institutions.

As an Edge Act corporation established under Section 25A of the Federal Reserve Act, CLS is regulated and supervised by the Board and the Federal Reserve Bank of New York ("FRBNY") (collectively, the "Federal Reserve"). Additionally, the central banks whose currencies are settled in the CLS system have established the CLS Oversight Committee, organized and administered by the Federal Reserve pursuant to the *Protocol for the Cooperative Oversight Arrangement of CLS*,[1] as a mechanism to carry out the central banks' individual responsibilities to promote safety, efficiency, and stability in the local markets and payments systems in which CLS participates.

As a systemically important financial market infrastructure ("FMI"), CLS is subject to the CPMI-IOSCO *Principles for financial market infrastructures* (the "PFMI"), as applicable to payment systems. In addition, CLS was designated a systemically important financial market utility ("DFMU") by the Financial Stability Oversight Council in July 2012 under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The FRBNY conducts day-to-day supervision of CLS, as delegated by the Board and CLS is subject to the risk management standards set forth in Regulation HH.

Specific Feedback on the Settlement Risk Principles

CLS strongly supports the proposed changes to Principle 35, in particular the introduction of the risk waterfall approach. With respect to netting, CLS believes the Code could take a stronger approach and prioritize multilateral over bilateral netting, where possible. This could be achieved by amending the text as follows.

> "2. Where Settlement Risk cannot be eliminated, Market Participants should reduce the size and duration of their Settlement Risk as much as practicable. The netting of FX settlement

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

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obligations, (in particular the use of automated settlement netting systems), is encouraged **with a preference for multilateral over bilateral netting**."

* * * *

We appreciate the GFXC's consideration of the views set forth in this letter and are available to discuss any of the comments in further detail, as needed.

Sincerely,

Dirk Bullmann
Managing Director, Office of the CEO

CC: Marc Bayle de Jessé, Chief Executive Officer

John Hagon, Chief Operating Officer

Gaynor Wood, General Counsel

Dan Lennon, Head of In-Business Risk and Control

Keishi Hirashima, Head of Tokyo Rep Office

Kerry Denerstein, Director, Internal Governance

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From: Juer, John <John.Juer@commerzbank.com>
Sent: Wednesday, October 23, 2024 16:34
To: FXCG Secretariat <FXCGSecretariat@ecb.europa.eu>
Subject: [EXT] FW: GFXC request for feedback on changes to the Code

Hello,

On behalf of Commerzbank, please find our feedback.

We have no feedback on FX Settlement Risk – principles 35/50/51; the changes look fine to us.

On the use of FX data principle 9 we have the following comments:

It is not entirely clear what anonymized and aggregated data is and there is also the question of timing of data publication. Different interpretations of this term by different parties could lead to some confusion. Under Mifid, regulated venues are required to publish in a timely manner the precise price and volume of trades executed on the venue - counterparty names are removed but no aggregation takes place. Large volume trades can be delayed. This is an example of a precise specification. We don't see a reason in principle why if aggregated and anonymized data is shared for commercial purposes this could not be disclosed with the method of aggregation and anonymization.

No comments on principle 10.

Kind Regards

John Juer

John Juer

Head of Capital Markets London and Head of Diigital Markets

Commerzbank AG
Corporate Clients

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John.Juer@commerzbank.com

Good afternoon,

Pls find below our feedback regarding “the Code changes”.

Please don’t hesitate to contact us in case you have further questions,

Kind regards

André Besant

Deutsche Bank AG

Our feedback is:

Annex A

Page 3 of 15 – Principle 35 Comments

Comment: “Market Participants should agree which settlement method will be used for a given product and currency as part of the set up of such product and currency ~~counterparty onboarding process~~. Once agreed, the settlement method should be used consistently, and ad-hoc arrangements with the same counterparty considered only on an exception basis. Market Participants should also review their agreed settlement method choices on a regular basis with a view to reducing Settlement Risk as much as practicable.”

Justification: We propose deleting the reference to “counterparty onboarding process”. Such agreements (e.g. on applicable SSIs and settlement methods) are implemented at the point of operational set up of a currency or product, not as part of the KYC process at client adoption. We believe this was the intent of the reference to “onboarding”, but because of it potentially causing confusion by suggesting a client should be set-up for a product and currency at the time of KYC/adoption (even where

the client isn't originally adopted to trade FX, as an example), we suggest referring to product and currency set up instead.

Page 5 of 15 – Principle 51 Comments

Comment: Remove the word *"strongly"* from the first sentence of the 2nd paragraph, so it reads:

"The use of multiple settlement instructions (as opposed to a single SSI) with the same counterparty for a given product and currency is ~~strongly~~ discouraged and should only be used where a business risk or reason necessitates it."

Justification: While we agree that it is not a good practice to operate multiple SSIs for a currency within the confines of operating a wholesale FX business, we are mindful that it is customary for large banks to use different SSIs for wholly different business lines e.g. a bank's retail or corporate banking businesses (operating outside of its investment bank) may have different SSIs for customer FX settlements to its investment bank. This is obviously justifiable and appropriate but sounds like it is problematic if we use the standard of "strongly discouraged".

Page 9 of 15 – Principle 9 Comments:

Comment: Remove last sentence of last paragraph on page 9:

~~*"In order to allow Clients to compare data sharing policies more easily, the use of the GFXC's Disclosure Cover Sheets is encouraged."*~~

Justification: Because most market participants are not sharing data with third parties which is not aggregated and anonymised, mandating a reference in the disclosure cover sheet is inappropriate. This should remain a general disclosure obligation.

Page 12 of 15 – Principle 10 Comments:

Comments: Last paragraph should be redrafted as follows:

"Market Participants who initiate Client orders in a Principal role, where execution of FX Transactions is subject to a written agreement in advance with the Client identifying when

the Market Participant should initiate such FX Transactions (such as auxiliary services to facilitate a securities or futures transaction or FX hedging services agreements), should:

~~• Operate within the parameters of that written agreement;~~

• Provide disclosures to the relevant Clients (including by way of the relevant written agreement or otherwise) ~~Establish and disclose a transparent order execution policy~~ including:

- Factors affecting the execution of Client orders; and
- ~~Factors affecting the choice of execution venues; and~~
- Information as to how the Principal provides fair and transparent execution of Client orders.

• Be transparent with the Client about terms and conditions, principally setting out fees and commissions applicable throughout the term of the agreement; and,

• Make available sufficient information to enable the Client to assess the quality of execution. Where available, this should include the date and time of execution ~~along~~

~~with market reference rates at the time of execution~~."

Justification: The code does not need to prescribe that parties operate within the boundaries of contractual terms because that is a matter enforceable at law by the courts. The code applies globally, so should not be used to export European (EU/UK) regulatory concepts internationally when other standards may be required by law in other countries. The concept of using an "order execution policy" (OEP) as a disclosure is a wholly European (EU/UK) regulatory concept and while it is fair to require a disclosure, this should not be mandated to be by way of an OEP. Where a party transacts as a principal, it will be the execution venue so that bullet can be omitted. While clarity as to the date and time of information is fair, we believe that reference to "market reference rates" should be omitted as this would not be the regulatory standard outside of the EU/UK.

Page 14 of 15 – Annex I Comments:

Comment on example 1 (Principle 9): delete **"**and the GFXC's Disclosure Cover Sheet**"**

Justification: Even if the reference to the disclosure cover sheet is retained in Principle 9, its use is not mandatory.

Comment on example 2 (Principle 10): delete this example and re-prepare once Principle 10 is finalised.

Justification: Principle 10 seeks to apply European MIFID style best execution requirements globally, which is inappropriate for a code that extends to the world (e.g. beyond the territorial extent of EU or UK MIFID conduct obligations). A revised version could be created, more generic in nature, which imposes a reasonable disclosure obligation without applying European regulatory standards extraterritorially.

Annex B:

Comment: We do not support the updates to the form of disclosure cover sheet.

Justification: As set out in our comments on principle 9 of the code, we believe that these matters are an important topic which should be subject to a disclosure obligation, but equally note they affect a minority of the market so are properly not a matter that should be covered by the disclosure cover sheet.

Annex C:

Please see our comments on Annex B (but we note this is properly a matter for the Multi-Bank platforms to comment on).

Kind regards

ABE

André Besant

Managing Director
Head of GFX, GEM, LD&C DACH

Deutsche Bank AG
Investment Bank – Fixed Income and Currencies
Frankfurt am Main, Germany

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Die Europäische Kommission hat unter http://ec.europa.eu/consumers/odr/ eine Europäische Online-Streitbeilegungsplattform (OS-Plattform) errichtet. Verbraucher können die OS-Plattform für die außergerichtliche Beilegung von Streitigkeiten aus Online-Verträgen mit in der EU niedergelassenen Unternehmen nutzen.

Informationen (einschließlich Pflichtangaben) zu einzelnen, innerhalb der EU tätigen Gesellschaften und Zweigniederlassungen des Konzerns Deutsche Bank finden Sie unter https://www.deutsche-bank.de/Pflichtangaben. Diese E-Mail enthält vertrauliche und/ oder rechtlich geschützte Informationen. Wenn Sie nicht der richtige Adressat sind oder diese E-Mail irrtümlich erhalten haben, informieren Sie bitte sofort den Absender und vernichten Sie diese E-Mail. Das unerlaubte Kopieren sowie die unbefugte Weitergabe dieser E-Mail ist nicht gestattet.

The European Commission has established a European online dispute resolution platform (OS platform) under http://ec.europa.eu/consumers/odr/. Consumers may use the OS platform to resolve disputes arising from online contracts with providers established in the EU.

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Annex C: GFXC Proposed changes to the Platform Disclosure Cover Sheet (2024)

Do you agree with the added section on the Platform Disclosure Cover Sheet, which would map to Principle 9? If not, why not? Please elaborate.

The addition of the table below is intended to further enhance the transparency and comparability of current data sharing practices through the Disclosure Cover Sheets. The table shown below (and in the next page) would be included in the current Platform Disclosure Cover Sheet file.

We do not support the proposed addition of the table which seeks granular information on the current data sharing practices because they transform the principle led approach, which underpins the code and was largely maintained into the Multi-Dealer Platform Disclosure Cover Sheet, into a "Schema". Moreover, the three segments of Data Sharing Policies presented appear to be prescriptive, yet undefined. In short, the approach to create a tabulated and standardised sheet represents a move away from principles and into reporting. This appears different to the generally understood intent. Despite the example provided in the proposed annex, we remain unclear what they represent and how these categories might be applicable to multilateral trading venues.

We are also unsure how this addition to Principle 9 is intended to interact with regional data sharing rules, for instance and most especially the application of GDPR across the European Union. We would prefer to focus with a broad principle of full disclosure for compliance with any pertaining data laws (such as GDPR), and otherwise remain with the prior delimitation for the disclosure of solely non-aggregated or not anonymous data that is shared with third parties.

We would also commend that a working definition of "Third Parties" is considered to be in accordance with any relevant and pertaining data laws (such as GDPR in the EU).

Principle 35

Do you agree with the proposed changes to Principle 35? If not, why not? Please elaborate.

Yes, we agree with the proposed changes to Principle 35 which are both sensible and prudential.

Principle 50

Do you agree with the proposed changes to Principle 50? If not, why not? Please elaborate.

Yes, we agree with the proposed changes to Principle 35 which are minor but do enable for a more proportionate application.

Principle 51

Yes, we agree with the proposed changes to Principle 51, most specifically that SSI's are senior in a hierarchy of settlement instrumentations.

Principle 9

Do you agree with the proposed changes to Principle 9? If not, why not? Please elaborate.

No, we disagree with the proposed changes to Principle 9, ostensibly because we don't understand the meaning or intent of the "data sharing" language deployed, but moreover because the scope the disclosure sheets sits on a prescriptive basis rather than being principles based. This creates a contradiction in terms wherein a schema is inserted into a principle.

Principle 10

Do you agree with the proposed changes to Principle 10? If not, why not? Please elaborate

Yes, we agree with the proposed changes to Principle 10 which are constrained to Market Participants who initiate Client orders in a Principal role. We note that whilst uncommon in FX markets, where the operator of the trading venues operates a "Matched Principle" model, they could in theory be caught under Principle 10; but would not be likely to submit orders to trading venues outside of their group structures. Therefore the description of Principle 10 should add a clear delineation between the intended recipients and those firms holding RTO permissions and / or operating a "Matched Principle" multilateral arranging facility.

Annex I

Do you agree with the added example to Annex 1, which would map to Principle 9? If not, why not? Please elaborate.

The example provided is in line with the intent of Principle 9, notwithstanding earlier comments about the departure of prescriptive disclosure documents from a principle based approach.

Do you agree with the added example to Annex 1, which would map to Principle 10? Please elaborate.

No comment as this would not apply to arranging intermediaries and to trading venues.

We would however note that it may be helpful to specify that the term describing '*A Market Participant acting in a Principal role*,' does not apply to any Market Participant acting in a "*Matched Principal*" role.

October 25, 2024

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

RE: Request for Feedback on Amendments to the FX Global Code and Disclosure Cover Sheets

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 Disclosure Cover Sheets.[2]

The FXPA would like to offer a few overall observations and then respond to the GFXC's specific questions about the proposed amendments to the Code and Disclosure Cover Sheets.

The FXPA remains a strong supporter of the Code and its stated aim to promote a robust, fair, liquid, open and transparent foreign exchange ("FX") market, and supports the GFXC's efforts to promote transparency and stability in the FX market through updates to the Code. The FXPA understands the GFXC's goal to promote widespread voluntary adoption of the Code, and we continue to believe that alignment with the Code's principles-based approach provides the greatest benefit to all market participants. However, the FXPA is concerned that the proposed amendments to the Code are overly prescriptive. In our view, the further the Code moves away from a principles-based approach, the less likely market participants will be to adopt and conform to the Code, as it will not offer the necessary flexibility to enable adherence to the Code while meeting various jurisdictional regulatory requirements and fostering responsible innovation and greater efficiencies in the market.

Moreover, the FXPA believes that the proposed amendments would benefit from enhanced explanation and guidance and, in some cases, a cost-benefit analysis to demonstrate the anticipated market benefit of the proposed changes to the Code. It is extremely difficult to adequately assess the proposed amendments absent adequate background and explanation, particularly given the very short timeframe provided for public consultation of the amendments. Indeed, it is impractical for market participants—who in many cases must consider and coordinate feedback across

[1] The FXPA represents the collective interests of the institutional FX market 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 about the FXPA, please see www.fxpa.org.

[2] GFXC, *GFXC Request for Feedback on Amendments to the FX Global Code and Disclosure Cover Sheets* (Oct. 2024), https://www.globalfxc.org/uploads/gfxc_request_feedback_oct2024.pdf. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Code.

multiple jurisdictions in which they operate—to fulsomely assess the appropriateness and impact of the proposed amendments to the Code in a very short feedback timeframe.[3] We encourage the GFXC to ensure sufficient time and engagement is dedicated to validating the feasibility and desirability of any proposed amendments with the broader market. Otherwise, artificial consultation periods fail both to provide the opportunity for any meaningful interactions with the Code that might foster substantive engagement and to support the increase in the number of firms that commit to the Code.

The FXPA encourages the GFXC to enhance the focus of the Code revision process by ensuring that market participants, including trading platforms and infrastructure providers, are represented throughout the amendment proposal and consideration process. The FXPA also stresses the importance of end-user and buy-side engagement throughout the GFXC revision process to both engage in constructive promotion of the Code to encourage additional buyside commitment to the Code and to ensure that any amendments to the Code that are adopted provide meaningful benefits to market participants. This is particularly important where the GFXC proposes to amend the obligations of liquidity providers and trading platforms for purported benefits to end-users and buy-side market participants.

The FXPA's membership, including its buy-side working group and platforms working group, stand ready to work with the GFXC in its effort to ensure the Code remains fit for purpose and provides positive benefit to the integrity of the FX market.

I. Proposed Amendments to the FX Global Code[4]

A. FX Settlement Risk Working Group Proposals

Principle 35: Settlement Risk

Do you agree with the proposed changes to Principle 35? If not, why not? Please elaborate.[5]

The FXPA believes the proposed changes lack the necessary background or rationale explaining the proposed amendments to Principle 35, as discussed further below. Absent such information and guidance, the FXPA does not agree with the proposed changes to Principle 35.

First, as noted in the request for feedback, the proposed amendments introduce a risk waterfall approach and specify that Market Participants should use payment-versus-payment ("PVP") settlement where available. However, FXPA does not believe this waterfall approach accurately captures other types of scenarios where risk is addressed in a different manner and PVP settlement is not appropriate.

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[3] GFXC issued its request for feedback on the proposed Code amendments on Oct. 9, 2024, requiring responses just sixteen calendar days later, on Oct. 25, 2024.

[4] GFXC, *Annex A: GFXC Proposed Changes to the FX Global Code* (2024) https://www.globalfxc.org/uploads/gfxc_request_feedback_oct2024_annex_a.pdf.

[5] *Id*. at 2-3.

For example, where a trade occurs between a custody bank and one of its clients, both counterparties' accounts are held at the custody bank; the custody bank ensures that the payment legs of the transaction settle across the books of a single institution (so-called "on-us settlement"). The proposed amendments do not seem to take this type of risk allocation and settlement method for FX transactions into account and should be revised to consider this factor.

Further, the proposed amendments to Principle 35 should consider the role of risk shifting in the context of PVP settlement through settlement systems like CLS, particularly in instances where settlement can be effectuated by a custodial bank through a book-entry system.

The introduction of a settlement system like CLS, by definition, incorporates an additional layer of operational risk beyond settlement that can be effectuated at the settlement bank. Further, reliance on a settlement system like CLS means that the custody bank may take on credit risk in the pendency before settlement of the transaction where the client does not have sufficient funds in their account and enters into an overdraft position with their custody bank. In effect, mandating the use of systems like CLS, a custody bank may be replacing settlement risk with credit risk. Next, the proposed amendments include the following sentence: "The Management of each area involved in a Market Participant's FX operations should have a thorough understanding of the settlement process and the tools that may be used to mitigate Settlement Risk, including, where available, the use of PVP settlement." As "Management" is not a defined term in the current Code or in the proposed amendments, we request that GFXC confirm that the capitalization of "Management" is not a substantive change or discard the proposed amendment to capitalize the word. Further, it is unclear what constitutes a "thorough" understanding of the settlement process. FXPA cannot provide additional constructive feedback on this proposed change without additional specifics to determine if this phrase is more fit for purpose than the current "high level" requirement in this principle. Without clarity on these important terms, it is difficult for FXPA to understand the implications of these amendments.

For these reasons, and in light of the limited period of time to review and consider these amendments, FXPA does not agree with the proposed changes.

Principle 51: Standard Settlement Instructions ("SSIs")

Do you agree with the proposed changes to Principle 51? If not, why not? Please elaborate.[6]

The FXPA believes the proposed changes lack the necessary background or rationale explaining the proposed amendments to Principle 51, as discussed further below. Absent such information and further guidance, the FXPA does not agree with the proposed changes to Principle 51.

Specifically, the proposed amendments to Principle 51 should provide additional guidance with respect to periodic review of SSIs by Market Participants. In line with the Code's principles-based approach, the FXPA does not believe a frequency for review should be mandated by the Code but should reflect a reasonable practice that meets industry best practices. Specifically, the FXPA recommends the Code specify that SSIs need only be reviewed as it is reasonably practicable for Market Participants.

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6 *Id*. at 5-6.

B. FX Data Working Group Proposals

Principle 9: Order Handling

Do you agree with the proposed changes to Principle 9? If not, why not? Please elaborate.[7]

The FXPA believes the proposed changes lack the necessary background or rationale explaining the proposed amendments to Principle 9, as discussed further below. Absent such information and guidance, the FXPA does not agree with the proposed changes to Principle 9.

As noted in the request for feedback, the proposed amendments are designed to "encourage FX-E platforms to provide better disclosures around sharing FX data derived from Client interactions with third parties." Code-adherent platforms in the FX market already provide significant information through disclosures. GFXC has not provided full reasoning why additional information would be beneficial to market participants, and FXPA members – including a number of platforms – are not aware of participants seeking this additional disclosure.

The proposed amendments to Principle 9 remove the term "market data" in favor of the term "client interaction data." Client interaction data is described as "order or transaction data derived from client interactions" and "include but are not limited to data on potential or actual FX transactions by clients, including requests for quotes, and other transaction data related to a Client order or trade execution."

In the FXPA's view, the proposed terms "client interaction data" implies a much broader scope of data than "market data" and it is not entirely clear what data the new term is practically meant to capture. "Market data" can be understood to include primary data related to transactions such as price and volume data. In contrast, "client interaction data" could include anything that interacts with the trade negotiation workflow. In the FXPA's view, the scope of "client interaction data" is unhelpfully broad and practically unworkable. Without further revision and clarification, firms could interpret the term in very different ways, in opposition to the Code's stated aim to "assist Market Participants in making informed decisions about their FX business relationships." FXPA believes the negative unintended consequences of this amendment could significantly outweigh the potential benefits without more color and information from GFXC on the scope of this new terminology.

The FXPA also encourages the GFXC to more clearly define the term "third party" in the context of the proposed amendments to Principle 9. It is not clear, for example, if entities such as central banks, regulators, settlement banks, custody banks, and prime brokers would be considered a "third party" for the purposes of the proposed amendments. It is also not clear if an affiliate within an organization would be considered a "third party" under Principle 9 as proposed. We note that the current Code also does not define the term "third party."

Without consideration of the appropriate scope of the application of these proposed amendments, and clarity on these important terms, it is difficult for FXPA to understand the implications of these amendments.

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[7] *Id*. at 7-10.

For these reasons, and the limited period of time to review and consider these amendments, FXPA does not agree with the proposed changes.

Principle 10: Considerations for Execution of FX Transactions

Do you agree with the proposed changes to Principle 10? If not, why not? Please elaborate.[8]

The FXPA believes the proposed changes lack the necessary background or rationale explaining the proposed amendments to Principle 10, as discussed further below. Absent such information and guidance, the FXPA does not agree with the proposed changes to Principle 10.

The proposed amendments to Principle 10 include the following:

> "Market Participants who *initiate* Client orders in a Principal role, where execution of FX Transactions is subject to a written agreement in advance with the Client identifying when the Market Participant should initiate such FX Transactions (such as auxiliary services to facilitate a securities or futures transaction or FX hedging services agreements), should:
>
> - Operate within the parameters of that written agreement;
> - Establish and disclose a transparent order execution policy including:
>   - Factors affecting the execution of Client orders;
>   - Factors affecting the choice of execution venues; and
>   - Information as to how the Principal provides fair and transparent execution of Client orders.
> - Be transparent with the Client about terms and conditions, principally setting out fees and commissions applicable throughout the term of the agreement; and,
> - Make available sufficient information to enable the Client to assess the quality of execution. Where available, this should include the date and time of execution along with market reference rates at the time of execution."[9]

In the FXPA's view, if the amendments to Principle 10 are adopted as currently drafted and without clarity around the limitations of this new language, Principle 10's language could create unintended negative consequences for Market Participants by capturing a wide range of electronic communications as "written agreements." For example, if a Client sends a bank a market order on a secure chat facility, which is written, all of the listed practices would presumably be required for a Client upfront in order for the bank to accept a market order over chat. This would create significant inefficiencies in transaction flow and unnecessarily duplicative recordkeeping requirements for Market Participants. The FXPA encourages the GFXC to clarify that messages such as these are not within the intended scope of the proposed amendment's language.

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8 *Id*. at 10-15.

9 *Id*. at 12-13.

Without clarity on this proposed amendment, it is difficult for FXPA to understand the implications of these amendments.

For these reasons, and the limited period of time to review and consider these amendments, FXPA does not agree with the proposed changes.

II. Proposed Amendments to the Platform Disclosure Cover Sheet[10]

Do you agree with the added section on the Platform Disclosure Cover Sheet, which would map to Principle 9? If not, why not? Please elaborate.

The FXPA does not agree with the inclusion of the additional section on the Disclosure Cover Sheet. First, including the proposed table for data sharing policies on the Disclosure Cover Sheet will add significant narrative content requiring significant compliance time and resources for market participants to develop, yet the FXPA is not aware of any Clients or Market Participants that rely on the existing platform disclosures (or who have expressed that such existing disclosures are insufficient). Accordingly, significant length and density will be added to the Disclosure Cover Sheet, despite it being wholly unclear what utility the revised Disclosure Cover Sheets will provide.

* * *

The FXPA appreciates the opportunity to submit feedback on the proposed amendments to the Code and Disclosure Cover Sheets and the long and productive relationship between the GFXC and the FXPA. The FXPA stands ready to work with the GFXC on the issues discussed herein. Should the GFXC wish to discuss these comments further, please contact us (https://fxpa.org/contact-us/).

Sincerely,

/s/ Joseph Hoffman___

Joseph Hoffman, Chair, FXPA

[10] GFXC, *Annex C: GFXC Proposed changes to the Platform Disclosure Cover Sheet* (Oct. 2024) https://www.globalfxc.org/uploads/gfxc_request_feedback_oct2024_annex_c.pdf.

HSBC's Response to the October 2024 Proposed Updates to the FX Global Code

Please see below HSBC's responses to each of the proposals in Annexes A, B and C.

Annex A: GFXC Proposed changes to the FX Global Code (2024)

I. FX Settlement Risk Working Group Proposals

1. **Do you agree with the proposed changes to Principle 35? If not, why not? Please elaborate.**
   HSBC is supportive of the proposed changes to Principle 35.

2. **Do you agree with the proposed changes to Principle 51? If not, why not? Please elaborate.**
   HSBC is supportive of the proposed changes to Principle 35.

3. **Do you agree with the proposed addition to the Glossary? If not, why not? Please elaborate**
   HSBC is supportive of the proposed additions to the Glossary.

II. FX Data Working Group Proposals

4. **Do you agree with the proposed changes for Principle 9?**
   HSBC is supportive of these proposed changes to Principle 9.

5. **Do you agree with the proposed changes to Principle 10? If not, why not? Please elaborate.**
   HSBC is supportive of adding wording to the FX Global Code that clarifies the roles and expectations of Market Participants, and conduct expectations when fulfilling those roles. However, the proposed changes to Principle 10 are problematic for a number of reasons:
   - It is not clear what activities are intended to be within scope of the description so it is unclear how firms would apply the Principle or demonstrate alignment.
   - Principle 9 and Principle 10 already seem to address a number of elements encompassed in the proposed wording – For example:
     "Irrespective of their role, Market Participants handling orders should:
     - *have clear standards in place that strive for a fair and transparent outcome for the Client;…*
     - *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."*

     "Market Participants should make Clients aware of such factors as:
     - *how orders are handled and transacted, including whether orders are aggregated or time prioritised;…"*

     "Market Participants handling Client orders in a Principal role should:
     - *disclose the terms and conditions under which the Principal will interact with the Client…"*

     As such, it's suggested that any proposed addition is specific to the additional requirements to the activity being covered.
   - The conduct drivers for the proposed changes are not currently clear – as the proposed drafting seems to more pertinent to commercial arrangements, which are outside the Global Code's intended focus. Specifically, it seems unnecessary from a conduct perspective to specify that agreements need to be made or that these need to be "written".
   - The wording seeks to apply best execution regulatory style requirements outside jurisdictions to which these may apply.

   Our recommendation is for the Working Group to revisit the proposed updates to resolve the above considerations.

   HSBC submits the below alternative drafting for consideration for this update to Principle 10:

INTERNAL

Market Participants who initiate orders for clients while acting in a Principal capacity should (in addition to the requirements stated above and in Principle 9) obtain clear instructions from their clients in respect of the key expectations related to their order execution, and act in line with them.

6. **Do you agree with the added example to Annex 1, which would map to Principle 9? If not, why not? Please elaborate.**
   HSBC is supportive of the proposed additional example applicable to Principle 9.

7. **Do you agree with the added example to Annex 1, which would map to Principle 10? Please elaborate**
   The drafting of the example is closely aligned to the proposed wording of Principle 10, which we have commented on above. In line with the comments, HSBC submits the below alternative drafting for consideration for this update to this example:

> Example on disclosures for a Principal executing a transaction on behalf of a Client, which is initiated by the Principle ~~subject to a pre-agreed written agreement~~.
>
> A Market Participant acting in a Principal role and in association with custodial responsibilities and the terms of a ~~written~~ FX services agreement with a Client, purchases ~~ZAR~~ currency to fund security purchases on behalf of its Client ~~and applies a pre-agreed spread/fee to the exchange rate transacted on market~~. ~~The Market Participant also makes available information to assist the Client to judge the quality of execution, including the time and date of the transaction, along with the market reference rate prevailing at the time, where available.~~
>
> These circumstances fulfil the criteria in Principle 10 for heightened disclosure requirements, namely:
>
> - The Market Participant acting as Principal initiates the trade on behalf of the Client
> - There is a pre-~~agreed written~~ agreement authorising the Principal to initiate the trade
>
> A Market Participant acting in these circumstances should clearly set out the terms and conditions of that execution relationship~~, including any applicable fees and commissions~~.

Annex B: GFXC Proposed changes to the Liquidity Provider Disclosure Cover Sheet (2024)

8. **Do you agree with the added section on the Liquidity Providers Disclosure Cover Sheet, which would map to Principle 9? If not, why not? Please elaborate.**
   HSBC is supportive of these proposed additions to the Liquidity Providers Disclosure Cover Sheet.

Annex C: GFXC Proposed changes to the Platform Disclosure Cover Sheet (2024)

9. **Do you agree with the added section on the Platform Disclosure Cover Sheet, which would map to Principle 9? If not, why not? Please elaborate.**
   HSBC is supportive of these proposed additions to the Platform Disclosure Cover Sheet.

INTERNAL

THE INVESTMENT ASSOCIATION

GFXC Secretariat
Global Foreign Exchange Committee

25th October 2024

To whom it may concern,

RE: GFXC Request for Feedback on Amendments to the FX Global Code and Disclosure Cover Sheets

I am writing to you on behalf of The Investment Association (the IA). The Investment Association 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 £9.1 trillion for savers and institutions in the UK and beyond. The UK asset management industry is the largest in Europe and the second largest globally.

The Global FX Code is vital for asset managers, as it establishes thorough principles that foster the integrity and effective functioning of the wholesale foreign exchange (FX) market. Asset managers depend on the reliability and efficiency of the FX market to carry out trades and manage risks effectively. Hence, the industry is actively involved in reviewing the Code to ensure that the revisions improve market practices and maintain top standards of the wholesale FX market.

The IA appreciates the holistic review conducted by the GFXC, and the asset managers find the proposed amendments both thorough and reasonable. The suggested changes align well with the evolving needs of the market, especially regarding the global markets' moves towards accelerated settlement cycles. We have some small remarks regarding the suggested principles:

Principles 9 & 10: The IA members recognise the rationale behind the decision regarding the suggested changes to reflect the evolving FX market. We agree with the proposed changes to the principles to enhance transparency and comparability.

In the case of principle 10, we welcome the suggested change detailing the mechanics of custodian standing instruction FX programs. Instances of incorrect timestamps continue to occur, which has a detrimental impact on assessing the quality of execution received from the custodian. The proposed changes should, we believe, reinforce the point that to assess the quality of execution, the execution timestamps received should be correct.

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The IA members find the suggested changes in relation to settlement risk sensible since T+1 has been implemented in North America now. By the time of the next review of the Global Code, T+1 will either have been implemented or will be close to implementation in several other countries.

Principles 35 & 50: The IA members find the suggested changes to Principles 35 and 50 sensible. However, the asset managers are also aware of the challenge in getting participants to recognise the benefits of implementing netting and adopting such an approach. Given we are seeing an increasing number of markets implementing accelerated settlement cycles, the IA suggests there is scope to strengthen language around this area in the proposed changes – particularly in Principle 35 – to further encourage the uptake of netting.

We appreciate the GFXC's effort in taking up the complex task of reviewing the FX Global Code. We would be happy to discuss further with the GFXC in case the Committee is keen to seek further views from the investment management industry.

Yours sincerely,

Kenix Lee

Policy Lead, Capital Markets

Feedback on the proposed amendments to the Code and the Disclosure Cover Sheets

CG

Casali, Gianluca (Commercial & Markets Risk Specialist)<Gianluca.Casali@LloydsBanking.com>

Responder a todos

jue 24/10, 6:58

codefeedback@globalfxc.org;

Hannah, Kristina (CIB COO Chief Control Office)<Kristina.Hannah@lloydsbanking.com>;

Ritchie, James (Commercial & Markets Risk Specialist)<James.Ritchie@lloydsbanking.com>;

+1 destinatarios

Encrypt: This message is encrypted. Recipients can't remove encryption.

Dear GFXC Secretariat,

We appreciate the opportunity to provide feedback on the proposed amendments of “Amendments to the FX Global Code and Disclosure Cover Sheet”. Such engagement and collaboration among Market Participants is crucial for establishing a robust framework of best practices, which will ultimately enhance the health and integrity of the markets we operate in.

We would like to focus on the suggested amendments to **Principle 35 (Settlement Risk)**. In its current draft, the principle reads in a restrictive way, potentially leading to limiting Market Participants’ ability to service customers flexible and in line with their requirements.

It is common market practice to use standard ISDA netting documentation, agreed upon and put in place during the onboarding process. However, considering the diverse state of business needs, it is crucial for Market Participants to support their clients if they wish to change the way they settle their transactions.

More specifically, the proposed amendment restricts the use of a different settlement methodology once a Netting agreement is in place for a given combination of product and currency. We suggest that this best practice should be relaxed to encourage Market Participants to continue recommending the more robust settlement methodology (Netting) while maintaining the flexibility to accommodate customer demands, provided there are adequate processes and controls to mitigate the risk.

Furthermore, the proposed wording dictates the use of a unique Netting agreement for each combination of product and currency. This practice could inadvertently impact the overall onboarding process for both client and Market Participants. To this point, we recommend that the amendments also provide the opportunity to leverage the widely used ISDA market standard netting documentation, which allows flexibility to incorporate multiple currencies within the same agreement.

“Market Participants should agree which settlement method will be used for a given product and currency as part of the counterparty onboarding process. Once agreed, the settlement method should be used consistently, and ad-hoc arrangements with the same counterparty considered only on an exception basis. Market Participants should also review their agreed settlement method choices on a regular basis with a view to reducing Settlement Risk as much as practicable.”

Please let us know if you require any additional information or clarification regarding our feedback.

Kind Regards
Gianluca

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Manager | Commercial & Markets Risk
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Dear GFXC

We have reviewed the topics for the FXGC update, and we have no issue or comment with the proposed changes.

Best regards

Lars

Lars Henriksen

Director, FX & Liquidity

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OSTTRA

Global Foreign Exchange Committee (**GFXC** or the **Committee**)

Submitted to: GFXC Secretariat
via: codefeedback@globalfxc.org

23rd October 2024

GFXC Request for Feedback ("Consultation"): Amendments to the FX Global Code and Disclosure Cover Sheets

Dear GFXC,

Introduction

OSTTRA, 50/50 owned by CME Group and S&P Global, is a leading provider of progressive post-trade solutions for the global OTC markets across interest rate, FX, equity and credit asset classes. OSTTRA brings together the people, processes and networks to solve the market's most pressing problems through innovating, integrating and optimising the post-trade workflow. The combined force of the product suite ensures a streamlined post-trade ecosystem that helps clients drive even greater efficiencies. As the demands for automation continue to transform the post-trade landscape, OSTTRA is at the forefront of helping market participants build a secure and sustainable market infrastructure.

Headquartered in London, with a substantial global presence, including regulated entities in the UK and Sweden, OSTTRA employs 1,400 staff in 8 countries.

OSTTRA is the home of:

MarkitServ: Our end-to-end trade processing and workflow solutions connect more than 2,500 counterparties across the global OTC derivatives and FX markets. We process 10 million trades per month and have $500 trillion of the notional outstanding on our platforms.

Traiana: A network of over 2,000 counterparties, Traiana processes 37 million trades and $22 trillion in notional per month.

TriOptima: We have supported the OTC industry for over 20 years, compressing more than 2 quadrillion gross notional across 28 currencies and connecting 2,000 counterparties to reconcile 34 million trades per month. We are the market leader in counterparty risk optimisation and collateral management.

Reset: Reset provides leading basis risk mitigation services in the derivatives marketplace. We connect 2,500 counterparties, 145 banking groups and 38 countries with our state-of-the-art matching engine.

As the leading end-to-end post-trade solutions provider and the leading post-trade risk reduction services provider, OSTTRA is pleased to provide its comments to the GFXC Request for Feedback on amendments to the FX Global Code and Disclosure Cover Sheets (the **Consultation**).

Summary

OSTTRA welcomes the Consultation and its objective to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market.

We broadly support the intentions of the Consultation. In particular, enhance guidance on FX Settlement Risk mitigation practices, encourage appropriate reporting requirements and promote greater transparency on the utilisation of FX data.

However, we would recommend a number of technical clarifications to the four key questions posed and would welcome further discussions with the GFXC in this regard.

Question 1: ***Do you agree with the proposed changes to Principal 35? If not, why not? Please elaborate.***

Question 2: ***Do you agree with the proposed changes to Principal 50? If not, why not? Please elaborate.***

Due to the nature of and the linkage between the processes as defined in Principle 35 and 50, OSTTRA has combined its responses to these questions.

OSTTRA is fully supportive of the proposed changes to Principal 35 and 50, in particular recognising PvP models as a means to eliminate settlement risk. The committee has achieved a balance, and where PvP ecosystems may not yet exist, the drafting proposes a risk-based approach to limit and control settlement risk. The dynamics of netting and reduction of manual processes as well as gross settlement models are highlighted as crucial risk mitigants. Full mandates to utilise PvP models could have led to market disruption or threatened market access to smaller institutions or specific segments of the global FX markets. The netting protocols and risk controls identified in Principle 50 are crucial for all FX market participants however they imply automation of trade date (**T+0**) matching, confirmations and recognising intraday settlement finality, all of which is captured in the context of the proposed rules.

OSTTRA, whose services optimise workflows and reduce post trade risks, is in the early stages of building a multi-participant bilateral settlement orchestration PvP service with coverage across the wholesale dealer to client FX markets and emerging market currency pairs. These segments are where PvP models or netting protocols do not yet exist for wholesale participants. Technology advancements (such as DLT) coupled with greater acceptance and innovation in the legal and regulatory frameworks were some of the main reasons why OSTTRA decided to undertake this initiative.

The important dynamics of T+0 matching, T+0 confirmation and establishing a golden record are key preconditions of the service that will enable netting, credit risk management and PvP settlement orchestration, providing access and efficiency to all segments of the FX markets. We provide further details below on the dynamics of the service. Although the industry adoption timeline may be lengthy due to changes to bank and client target operating models, we expect that once a few firms commit to the service the benefits can be realised across the broader ecosystem. We anticipate that the next

review of the Global FX Code could look to go further in its policy objectives as we anticipate that PvP and netting services will be available to the wider ecosystem and for a larger set of currency pairs.

OSTTRA PvP service overview

Trade capture
Along with OSTTRA's existing trade capture, matching and allocation network - the service will create the 'Golden Record' in the distributed ecosystem to provide full visibility of inventory through the participants node.

Netting
The service triggers continuous bilateral netting protocols with any new trades or amendments. Additional flexible value date shaping of netting groups can be triggered by customisable rules (time or risk-based limits) or manually (based on available liquidity).

Payment processing
Peer-to-Peer agreements (post netting match) triggers payment instructions for existing payment gateways to process and move funds from Nostro/CB accounts into PvP service settlement accounts - agreements are notarised by the service for full traceability and auditing.

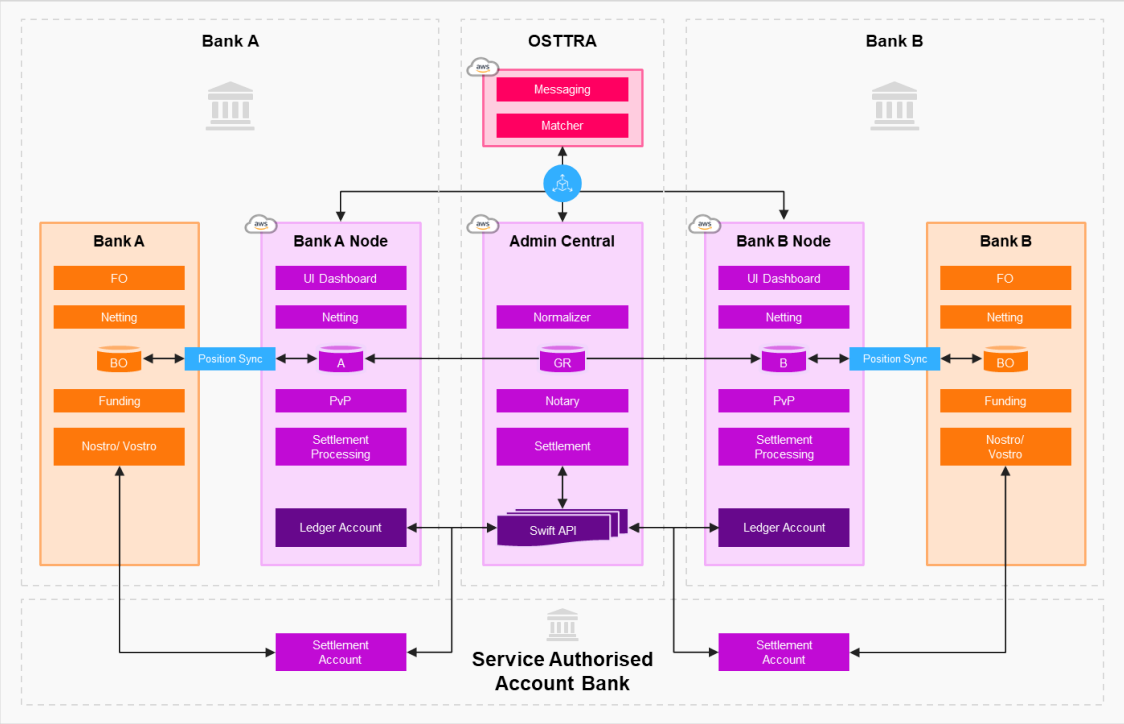
Settlement
When settlement accounts are fully funded by both parties, the client ledger records transfer of funds (and legal ownership thereof) from the transferring bank to the receiving bank, in accordance with the rulebook – satisfying bilateral PvP obligations within a secured closed ecosystem. The OSTTRA service orchestrates the movements based on peer-to-peer agreements (notarisation and messaging) but does not hold or own the funds at any point in the process - the participants do not transfer risks to OSTTRA (nor take on OSTTRA's risks), however, the process ensures elimination of settlement risk - a firm will never lose any amount paid into the closed ecosystem.

Technical infrastructure:
The PvP service is hosted and operated by OSTTRA and powered by Baton Systems CoreFX technology where:

Bank node (SaaS)
Each participant will have a node enabling the service. This will ensure secure, permissioned, peer-to-peer interactions with other nodes in the ecosystem. API links and UI Dashboard linking a distributed data store and a set of shared workflow(s) to enable settlement within the real-world settlement accounts with legal protection driven by the multi-currency client ledger account.

Osttra admin central
Will establish the network of nodes to ensure secure, permissioned, peer-to-peer interactions. The rulebook maintains the trade golden record and notarise peer-to-peer activities to enforce the shared workflow process.

Account bank connectivity
Account banks offer Settlement Account service to participants with connectivity and interaction from/to Admin central via direct API (ISO20022) or Swift (MT/MX) messaging.



Question 3: Do you agree with the proposed changes to Principle 51? If not, why not? Please elaborate.

OSTTRA understands the rationale for discouraging the use of multiple settlement instructions, using effective dates and encouraging default SSIs for the same counterparty. The greater the number of SSIs / settlement instructions with the same counterparty, the greater the potential for misplaced settlements if communication is not perfectly synchronised.

However, misplaced settlements as a result of multiple settlement instructions do not have the same repercussions as settling with the wrong counterparty. We are aware of a growing desire from participants to use multiple custodians, and thus there is the need to maintain and use settlement instructions alongside Standard Settlement Instructions. Having relationships with multiple custodians along with the concept of overriding settlement instructions allows mitigation of concentration risk at a custodian, where a participant may wish to spread the receipt of cash / collateral.

OSTTRA is of the view that this does allow for the reality market participants face in terms of their trading relationships. For example, corporates will have to maintain relationships with multiple banks, and thus have to settle with each in turn.

The use of Effective Dates removes ambiguity in the case of porting of SSIs, allowing participants to update SSIs programmatically. OSTTRA already supports this functionality in our Settlement Messaging service.

As participants can and will override default SSIs with trade level settlement instructions, OSTTRA takes the view that this information should be captured and exchanged with the counterparty as close to execution as possible.

This information could be exchanged on systems used for Trade Confirmation, Portfolio Reconciliation, Cashflow Matching and Settlement Messaging services. These should be able to consume and transmit SSIs, and any related Effective Dates. These systems should have secure, authenticated API access to SSI repositories, allow clients to authorise appropriate third parties to transmit / enrich / confirm SSIs programmatically. OSTTRA have offerings in all of these areas that have strong market uptake, so we are

pleased to see this increased focus and we are supportive of the movement towards a more robust framework around settlements.

OSTTRA has no view on whether participants use the term standard settlement instructions or standing settlement instructions.

Question 4: Do you agree with the proposed addition to the Glossary? If not, why not? Please elaborate.

We would advocate for an additional definition on Settlement Instructions to be added to the Glossary, to show the difference between Settlement Instructions and Standard Settlement Instructions (SSIs).

Settlement Instructions: Payment instructions provided and agreed by participants, typically at trade confirmation. These are used to give end clients flexibility to override Standard Settlement Instructions (SSIs).

Standard Settlement Instructions (SSIs): Payment instructions that have been agreed in advance, and used to transfer funds every time a trade is executed with the same counterparty for a given product and currency. Standard Settlement Instructions may also be referred to as “Standing Settlement Instructions”.

We do not have any comments on the other questions posed.

****

We would be happy to further discuss our comments with you or your colleagues at the GFXC. If you have any comments or questions regarding this submission, please feel free to contact us at your convenience.

Yours faithfully,

Kirston Winters

Head of Legal, Risk, Compliance and Government and Regulatory Affairs

OSTTRA

kirston.winters@osttra.com

Dear Chair-Office Team

Thank you again for providing SGX FX with an extension to allow us to submit our feedback. Below are responses where we felt appropriate, we hope they are constructive and look forward to the outcome of your findings.

Annex A
FX Settlement Risk Working Group Proposals

SETTLEMENT RISK - PRINCIPLE 35

We are unsure if as a platform , it is our place to comment here. But in principle your suggestions would make sense indeed

NETTING AND SETTLEMENT PROCESSES – PRINCIPLE 50

As per above

Standard Settlement Instruction – PRINCIPLE 51

Agree clarification of SSI's is important

Glossary

Agreed; however, it may be helpful to provide a template outlining the essential information and required format, such as BIC, LEI, etc., in line with FMSB standards. Relevant authorities cover these details extensively online, so linking to their websites could also be beneficial.

Market Participants should handle orders fairly and with transparency in line with the capacities in which they act - PRINCIPLE 9

Agreed. Additional clarity is needed on the definitions of "exemption" and "explicit." For example, is a general clause in a contract considered sufficiently explicit to constitute permission? Additionally, how should post-trade or real-time data, such as the trader's name within the firm and the tools used for staging the transaction, be treated?

Market Participants should handle orders fairly, with transparency, and in a manner consistent with the specific considerations relevant to different order type - PRINCIPLE 10

Agreed

Annex 1

Agreed

Annex B

GFXC Proposed changes to the Liquidity Provider Disclosure Cover Sheet (2024)

Generally, too broad with respect to client transaction data disclosures .. for the majority , clients drive the presentation of their data for post trade analytics, but this is on an individual basis , thus any response to the questions would be ambiguous and unhelpful. We feel some better positioning of the intent is required

Annex C: GFXC Proposed changes to the Platform Disclosure Cover Sheet (2024)

It's a valid objective but challenging to capture in a simple format, as responses tend to sidestep the core question. A more effective approach might be to ask, "What percentage of your total revenue is generated from data sales?"

Additionally, there's no clarity on whether this form is necessary for aggregated or anonymized data, which should not require such disclosure. It also seems impractical to mandate a standard form for disclosure, as client and third-party requirements vary significantly.

Regards

Hugh

Hugh Whelan

Head of Liquidity Management & Data Strategy

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