



Launch of Phase 1 of the Global Code of Conduct for the foreign exchange market

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Global Code of Conduct for the foreign exchange market: Phase 1

Thank you Guy for your comprehensive overview. I believe I can speak on behalf of all of the members of the Market Participants Group when I say that it has been an honor and a privilege to have taken part in, and contributed to, the development of the first phase of the Global Code.

This has been a unique opportunity for key participants in the industry to work together to develop a code of conduct that will have far-reaching implications and ensure the long-term integrity and effective functioning of the wholesale foreign exchange market. Rather than impose legal or regulatory obligations on market participants, the code will supplement local laws, rules and regulation by identifying good practices and processes. Importantly, the biggest statement is that it will be a single code, applicable on a global basis. When completed in May of 2017, this code will supersede every other code and best practice currently in place.

From the outset we sought to develop the code in a collaborative manner, seeking consensus on issues for which there would never be unanimity. This would be a defining factor in not only developing a code that reflects good market practice, but that is also fundamental to ensuring adherence across the globe. I cannot stress enough the importance of involving the private sector in decisions that ultimately influence how they operate every day.

As Chair of the Market Participants Group, my role was to support the work of Guy and his team on the Foreign Exchange Working Group and ensure all market perspectives were heard and appropriately reflected in the Global Code.

Wider consultation was managed through the regional Foreign Exchange Committees and a number of industry groups. In short, a great deal of input was considered. At last count we had over 3,000 comments and our guess was that several thousand eyes reviewed the work which included, of course, many different legal views. This

highlights the level of engagement across the market to make sure it was effective and applicable to all.

The Market Participants Group drew on market insight and expertise from 35 representatives from both the buy side and the sell side, along with trading platforms, market infrastructures and other non-bank participants.

As far as our working relationship with the FX Working Group was concerned, throughout the process we worked independently from each other and then came together to discuss issues. In the same way that market participants operate in different ways, central banks obviously do the same. However, we worked through those different approaches together and, in the end, we found consensus. In fact, as Guy has already highlighted, the Foreign Exchange Committees unanimously endorsed the first phase of the code at their global meeting yesterday.

Simply put, this work could not have been completed without the co-operation and collaboration of the public and private sectors. It was fundamental to the development of the good practice standards laid out in the code. We expect to adopt a very similar approach as we begin work on Phase 2.

The Global Code of Conduct is a principles-based code and covers areas such as ethics, governance, information sharing, execution, risk management and compliance, and confirmation and settlement. Our work as the Market Participants Group, which started in September of last year, focused primarily on the principles of ethics, information sharing and execution. These are areas we understood the market was looking for clarity on sooner rather than later.

While the areas we have covered in Phase 1 are by no means exhaustive, we have made meaningful progress in developing a code that promotes a robust, fair, liquid and transparent market.

Looking ahead

The success of the code lies with foreign exchange market participants and I am pleased to report that some of the larger institutions that have been involved with its development are already moving towards adoption internally. That's an impressive and reassuring step forward at this point.

For Phase 2, we in the Market Participants Group will further our efforts on the execution principle, inclusive of the critical topic of electronic trading. We will also be working closely with the central banks to develop effective market-based adherence mechanisms which promote and incentivise widespread adoption of the code by market participants.

The release of the first phase of the Global Code is a significant milestone in the development of a common set of guidelines for responsible market participation. It is not a response to any single issue or set of issues. Every market, for that matter every business, has issues related to conduct.

Rather, it has been written to support a diverse set of participants and while the very nature of global foreign exchange means there can be no universal approach, the collaboration between the public and private sectors will help ensure adherence, and ultimately restore confidence in the wholesale foreign exchange market – the largest and most liquid market in the world.

In short, the code is about making us better and about making this market the most successful in the world.