

Benoît Cœuré: Welcome remarks

Welcome remarks by Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, at the Foreign Exchange Contact Group meeting, Frankfurt am Main, 28 November 2018.

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I am very pleased to welcome you here today to the Foreign Exchange Contact Group (FXCG) meeting. Thank you for coming to Frankfurt to share your views and insights with us.

In my short introductory remarks, I would like to address the importance of strengthening the foundations of the foreign exchange (FX) market. I will argue that we all have a role to play here, and that adopting and adhering to the FX Global Code (“the Code”) is a powerful way to support change and engage non-signatories in the change process.

Let me start by briefly illustrating a few of the most notable changes to the FX market structure in recent years.

Since our market contact group was set up in 1999, the FX market landscape has undergone a deep and broad structural evolution, which has gained significant momentum in recent years.

On the sell side, one of the most notable changes relates to the execution of trades. FX trading has become increasingly electronic and automated, reflecting technological advances. The share of spot FX trading that is conducted electronically has almost doubled in the past ten years and now constitutes a substantial majority of daily turnover.

The process of growing digitalisation coincided with the emergence of new market participants, trading venues and innovative services. Despite these developments, however, liquidity provision has become more concentrated. Today, fewer market participants account for an increasing share of FX turnover.

We have observed similar changes in market structure on the buy side. For instance, over the past few years asset managers have generally increased their activities in FX-related products and have, over time, collectively emerged as important players in the FX industry.

Together, these structural evolutions have had implications for how the market functions and how central banks monitor the FX market.

On the monitoring side, one tangible implication was the need to broaden the FXCG’s outreach to appropriately reflect the new, and more diverse, investor landscape. The ECB’s market contact groups are open to all interested market participants that apply for membership. It is important for us to follow a transparent application and governance framework.

This is why the FXCG terms of reference, application forms and meeting material, such as agendas, the list of participants, presentations and summaries of our and other ECB market contact groups’ discussions, are available to the public via the ECB’s website.

Only if we reach out to all relevant stakeholders can we hope to improve our understanding of the functioning of the market and of new or emerging trends in exchange rate developments.

The proper functioning of the market is particularly important for us, of course. The Global Foreign Exchange Committee (GFXC), which was established last year, is a forum that is exclusively dedicated to promoting the highest standards of conduct and a robust, fair, liquid, open and appropriately transparent FX market.

Integrity, compliance and accountability have become even more important as the set of market players has grown more diverse. Responsible investment is critical for financial markets to be

able to fulfil their important social role of facilitating the flow of capital across the globe and to support trade, investment and, ultimately, growth and employment.

So I'm pleased that all of you have signed up to the Code. Effective change can only come from within. The industry has to lead this process. And the Code provides the benchmark around which market participants can discuss what is acceptable behaviour, and what is not.

The fact that all of you are signatories to the Code not only promotes the effective functioning of the FX market, it also sends an important signal about the integrity of euro area financial markets. I welcome this.

But acceptance is increasing globally, too. The Statement of Commitment, which was developed as a way for market participants to voluntarily demonstrate their adherence to the Code, now has more than 500 adherents from all over the world.¹ Of these adherents, the majority are banks, while nearly 10% are central banks and a further 10% are buy-side institutions.

In order to foster further buy-side adoption of the Code, the GFXC agreed to establish a working group on buy-side outreach. This working group is led by the ECB and aims to enhance transparency around the benefits for buy-side institutions of adopting the Code.

This process will be facilitated by the first tangible improvements following the implementation and adoption of the Code, improvements that are becoming increasingly visible.

We have seen examples of improved execution quality, as evidenced by reduced rejection rates and hold times. Improved disclosures increasingly allow market participants to make more informed decisions. And we have seen a higher degree of transparency as market participants are now more comfortable in judging what information to share and how.

The Code also reflects a much broader movement in financial markets towards fair and ethical trading practices. Consider the traction that sustainable investment has gained within the financial markets industry in recent years. Green finance is no longer a niche market. The ECB is therefore also supporting work on sustainable finance-related topics in various fora, including at the level of the G20.

All of this means, and with this I would like to conclude, that adhering to the Code has benefits that go well beyond the FX market. As signatories, you are ambassadors for responsible investment. We need broad and active engagement, and the contribution of the entire FX industry, to continue ensuring that the Code's principles appropriately reflect the structure of the FX market. In this respect, we rely on you, our Foreign Exchange Contact Group members, to do your utmost to fulfil this expectation and support us in driving this process forward.

Thank you.

¹ According to the data available at the GFXC's [Global Index of Public Registers](#).