

## Complete FX Global Code of Conduct To Be Released

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On March 22, the Bank for International Settlements (BIS) published a speech by Guy Debelle, Deputy Governor of the Reserve Bank of Australia, on finalizing and publishing the complete global code of conduct for the foreign exchange market (Global Code).

In his speech, Mr Debelle stated the following:

- The first phase of the code was released in May 2016. It covers areas such as ethics, information sharing, aspects of execution and confirmation and settlement. The second phase covers further aspects of execution, including e-trading and platforms, prime brokerage, as well as governance, and risk management and compliance.
- The complete Global Code will be publicly released on May 25. The Global Code covers the entire wholesale foreign exchange (FX) industry: sell side, buy side, non-bank participants and platforms.
- When the Global Code is released, it is expected that market participants will adapt their businesses, where appropriate, and ask their FX counterparties whether they are committed to the Global Code's principles.
- The period of time market participants require to adjust their practices, where necessary, to be compliant with the Global Code's principles might be as short as six months, but will likely be no more than 12 months for the vast majority. How much effort this will require depends in part on the nature and extent of market participants' engagement with the FX market. The principle of proportionality has been at the forefront of drafting the Global Code.
- The issue of "last look" has generated considerable discussion. The expectation is that this discussion will continue after the release of the Global Code, and that the Global Code might evolve as a result.
- One of the areas addressed in the first phase of the Global Code is information sharing. Many market participants are unsure what information can be conveyed to counterparties and other market participants. As a result, some are being very conservative in sharing information, which can have implications for the effective functioning of the market. The Global Code provides examples of appropriate information sharing.
- Order handling is another area with instances of inappropriate behavior coming to light in recent years. The market is seeking greater guidance as to what principles should be followed, including the different standards that may apply depending on whether an intermediary is functioning as principal or agent. The Global Code aims to provide this guidance, but it should not be seen as a procedures manual for order handling. Rather, it

articulates principles to take into account, providing market participants with the framework in which to think about how they handle stop-loss orders.

A copy of the speech can be found [here](#).

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