

**MEMO# 31328**

August 15, 2018

## **Global Foreign Exchange Committee Publishes Progress Report and Updated FX Global Code**

[31328]

August 15, 2018 TO: ICI Members

ICI Global Members

Derivatives Markets Advisory Committee

ICI Global Trading & Markets Committee SUBJECTS: Derivatives

Fixed Income Securities

International/Global

Trading and Markets RE: Global Foreign Exchange Committee Publishes Progress Report and Updated FX Global Code

The Global Foreign Exchange Committee (GFXC), a coalition of central banks and private sector market participants, recently published a report (“Report”) reviewing developments since the May 2017 launch of the FX Global Code,[\[1\]](#) along with an updated version of the FX Global Code.[\[2\]](#) The FX Global Code is a global code of good practices for the wholesale foreign exchange (FX) markets.[\[3\]](#) Adherence to the Code is voluntary, and adherents include both sell-side and buy-side entities, non-bank liquidity providers, operators of electronic trading platforms, and other entities providing brokerage, execution and settlement services. To adhere to the Code, a market participant signs a “Statement of Commitment” (SoC) supporting the objectives of the Code.

The Report highlights key achievements since the FX Global Code was published last year. Of particular interest, the Report notes that, following the publication of the Code, the GFXC conducted a consultation related to “last look,” a common electronic trading practice in the FX markets. Based on responses the GFXC received, it revised Principle 17 of the Code, which addresses last look, to specify that market participants should not conduct trading activity that utilizes information from the client’s trade request during the last look window.[\[4\]](#) The revised principle also describes the conditions under which certain trading arrangements (commonly referred to as “cover and deal”) may be distinguished from this guidance, and adds new examples, relating to Principle 17, to Annex 1 of the updated version of the Code.[\[5\]](#)

The Report also outlines GFXC’s four priorities for the year ahead, which will be pursued through GFXC working groups:

1. Continue the GFXC working group on cover and deal – this working group plans to undertake further work to understand the role of disclosures in informing end users about how their trade requests are being handled by intermediate providers that may be utilizing “cover and deal” arrangements.
2. Continue the GFXC working group on disclosures to strengthen the landscape of FX disclosures – this group plans to: (i) develop and publish a list of questions and/or characteristics that a market participant may choose to use in developing or reviewing disclosures; and (ii) discuss any relevant challenges to appropriate transparency with respect to anonymous trading activity and consider further work as appropriate.
3. Establish a GFXC buy-side outreach working group – GFXC intends to launch a working group focused specifically on buy-side outreach to increase buy-side awareness and adoption of the Code, which the GFXC believes has been slower than for other segments of the market. The GFXC plans for “buy-side lead liaisons” to play a key role in communicating the benefits of the Code to buy-side market participants.
4. Establish a GFXC working group to focus on the embedding and integration of the Code into the fabric of the FX market – this working group will conduct a survey in late 2018 to determine how market participants are engaging with and integrating the Code into the FX market.

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#### endnotes

[1] Global Foreign Exchange Committee, *The FX Global Code at One Year: A Look Back and a Look Ahead* (Aug. 2018), available at [https://www.globalfxc.org/docs/fx\\_code\\_one\\_year.pdf](https://www.globalfxc.org/docs/fx_code_one_year.pdf).

[2] FX Global Code (Aug. 2018), available at [https://www.globalfxc.org/docs/fx\\_global.pdf](https://www.globalfxc.org/docs/fx_global.pdf).

[3] For a description of the FX Global Code, please see ICI Memorandum No. 30738 (June 9, 2017), available at [https://www.ici.org/my\\_ici/memorandum/memo30738](https://www.ici.org/my_ici/memorandum/memo30738).

[4] Global Foreign Exchange Committee, *GFXC Request for Feedback on Last Look practices in the FX Market: Results and Recommendations* (Dec. 2017), available at [https://www.globalfxc.org/docs/gfxc\\_response\\_paper\\_dec17.pdf](https://www.globalfxc.org/docs/gfxc_response_paper_dec17.pdf).

[5] The updated version of the Code also adds an illustrative example related to Principle 11, which concerns pre-hedging.