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Global FX Code

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Sponsor: Foreign Exchange Working Group (of 21 central banks).

What it does: Sets out principles of good practice in the foreign exchange market. Does not supplant local law or regulations and does not provide a safe-harbour i.e. compliance with the Code alone will not suffice.

Relevant market: Global.

Leading principles: Ethics, Governance, Execution, Information Sharing, Risk Management & Compliance, Confirmation & Settlement Processes.

Applies to:

- Financial institutions;
- central banks, except where this would inhibit the discharge of their legal duties or policy functions;
- quasi-sovereigns and supranationals, except where this would inhibit the discharge of their organisational policy mandate;
- asset managers, sovereign wealth funds, hedge funds, pension funds, and insurance companies;
- a corporate treasury department, or Corporate Treasury Centre entering into external (non-group) transactions either on its own account or on behalf of the parent companies, subsidiaries, branches, affiliates, or joint ventures of the group it represents;
- family offices running treasury operations;
- benchmark execution providers;
- non-bank liquidity providers;
- firms running automated trading strategies, including high-frequency trading strategies, and/or offering algorithmic execution; brokers (including retail FX brokers);
- investment advisers;
- aggregators; and analogous intermediaries/agents;
- remittance businesses, money changers, and money services businesses in their interactions in the wholesale FX Market;
- E-Trading Platforms;
- affirmation and settlement platforms; and
- any entity classified as an FX Market Participant in the relevant jurisdiction(s).

Does not apply to: Pricing display platforms; remittance businesses, money changers, and money services businesses in their interactions with retail customers; private banking customers trading as individuals or via personal investment vehicles; and the general retail public.

Adherence: Voluntary with an expectation that principles will be publicly affirmed using a standard form of commitment and embedded into a firm's procedures. Target date for adherence 6-12 months from publication. The FCA, in welcoming publication of the Code, has said that it expects firms, as well as Senior Managers and certified individuals under the Senior Managers and Certification Regime, to take responsibility for and be able to demonstrate adherence to the new standards and to help promote adoption of the Code by expecting their FX counterparties to adhere to it.

Guidance: No.

Points to note: Builds on 'phase one' published in May 2016 and includes new sections on governance, risk management & compliance, and additional material on topics such as electronic trading and prime brokerage. Pre-hedging remains legitimate provided it is for the benefit of and disclosed to the client. The issue of 'last look' remains up for debate and is being dealt with by way of request for feedback emanating from the newly formed **Global Foreign Exchange Committee**. In the context of execution, the FCA has welcomed "in particular the recognition that even where a dealer sets out that it is acting as principal, it still has important responsibilities to its clients when using its discretion on their behalf."