

Are you ready for the new FX landscape?

Following a number of recent scandals, the Bank for International Settlements (BIS) has outlined its new global code of conduct for foreign exchange with an aim to bring confidence and transparency back to the foreign exchange markets. The move will of course mean changes to the FX industry that will have an acute impact on how banks and corporate treasury departments interact.



Neill Penney
 Managing Director, Trading
 Thomson Reuters

In a recent webinar hosted by Treasury Today, Neill Penney, Managing Director, Trading at Thomson Reuters outlined what the new global code means and why it may be a good time for treasurers to take a deeper look into their FX activity.

The new code aims to establish principles of good conduct for the entire FX industry globally and whilst the code is not cast in tablets of regulatory stone, it will sit alongside existing national regulations. The code sets out to promote a robust, fair, liquid, open and transparent market applicable to the buy and sell side.

As Neill Penney stated: "The code is not regulation, but it defines conduct expected by regulators and regulators intend widespread adoption. This is the industry's last chance to write its own rule book."

Six key principles

The code of conduct is organised around six guiding principles as follows:

1. Ethics
2. Governance
3. Execution
4. Information sharing
5. Risk management and compliance
6. Confirmation and settlement processes

Of course, adherence is the key aim of the new code and in order for it to be as broadly applicable as possible, the code is written with proportionality in mind. Adherence is a public declaration of support and, whilst the exact form is yet to be determined, it may include:

- Public register
- Independent certification

Adherence is also based on an "all or nothing" approach; cherry-picking is not allowed.

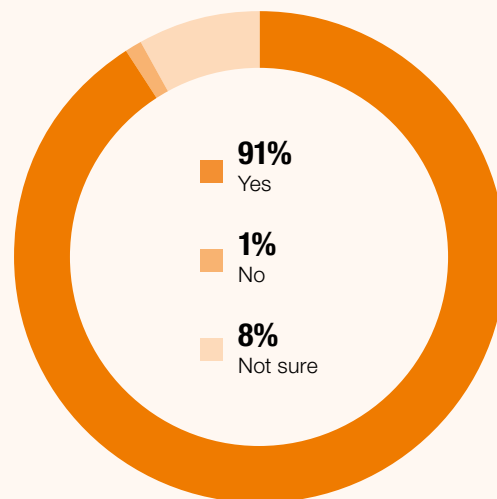
It may be a good idea to keep abreast of the new code as it becomes clearer and review your treasury policy and procedures manual to ensure inclusion if deemed appropriate.

The final publication of the complete FX Global Code is targeted for May 2017. ■

Poll results

During the webinar, which generated a great deal of interest from corporates, FX providers and banks alike, we polled the audience with the following two questions:

Will you expect your banks to be adherent to the code?



Do you feel it's important that the corporate treasury community is seen to publicly support the code through adherence?

