



# Client Alert

## Americas FS Regulatory Center of Excellence

August 2017

### Global code of conduct for foreign exchange

In keeping with evolving enhanced regulatory expectations in the areas of trade and sales practices and governance and controls, the Bank for International Settlements (BIS) has announced a new [code of conduct](#) (the Code) designed to enhance the integrity and effective functioning of the global wholesale foreign exchange (FX) market. The Code was developed jointly by the Foreign Exchange Working Group (FXWG), which comprises 21 central banks working together under the auspices of the BIS Markets Committee, and a Market Participants Group consisting of currency market participants in 16 jurisdictions. The Code seeks to promote global principles that underpin a common set of guidelines for good practices, or “responsible participation,” in the FX market.

The Code is intended to apply to all FX market participants, including sell-side and buy-side entities, nonbank liquidity providers, operators of e-trading platforms, and other entities providing FX-related brokerage, execution, and settlement services. The Code is voluntary and intended to supplement local laws, rules, and regulations. Accordingly, the FXWG has separately released a [Report on Adherence to the FX Global Code](#) to further promote widespread adoption. Firms are encouraged to publish a voluntary “Statement of Commitment” confirming that they conduct business in compliance with the Code’s overarching principles.

### Six leading principles

The guidelines are built around six leading principles with 55 supporting principles that set out standards of good conduct. The leading principles address:

- **Ethics:** Ethical and professional behavior promote fairness and integrity in the FX market.
- **Governance:** An effective governance framework is needed to maintain clear accountability and oversight of FX market activity.
- **Execution:** FX transactions should be negotiated and executed with integrity and care to promote a robust, fair, open, liquid, and appropriately transparent FX market.
- **Information sharing:** Communications should be clear and accurate, and confidential information should be protected in order to support a robust, fair, open, liquid, and appropriately transparent FX market.
- **Risk management:** Risks associated with engagement in the FX market should be identified, managed, and reported through an effective control and compliance environment.
- **Confirmation and settlement:** Robust, efficient, and transparent posttrade systems, controls, and processes are needed to mitigate risks and promote the predictable, smooth, and timely confirmation and settlement of FX transactions.

### Global Foreign Exchange Committee

The Code will be maintained by a newly formed Global Foreign Exchange Committee (GFXC), a global association of FX committees with public and private sector representatives. The GFXC will meet regularly and is tasked with promoting, maintaining, and updating the Code as well as providing a forum for global collaboration and communication on FX-related trends and developments. In cooperation with the BIS Market Committee, the GFXC intends to participate in an assessment and review of the effectiveness of the Code during calendar year 2020 (three years after publication of the Code), including any impact on market functioning and market behaviors.

### Request for comment

Coincidentally, the GFXC solicited feedback on an electronic trading practice known as “last look.” The practice is covered under Principle 17 of the Code, where “last look” is defined as “whereby a Market Participant receiving a trade request has a final opportunity to accept or reject the request against its quoted price.” The GFXC is specifically seeking comment on a feature of “last look” related to hedging activity that had been subject to considerable debate during the drafting of the Code. Comments are requested no later than September 21, 2017.

### What should firms do?

Firms should begin to consider how the principles in the Code translate into practical policies and procedures, taking into account regulatory requirements in their local jurisdictions. They should start by assessing their current governance and oversight functions, controls frameworks, data systems, codes of conduct governing trading and sales practices, and employee training programs, identifying any gaps and risks between their current FX practices and the guidelines.

As compliance with the Code is voluntary, firms should assess the costs and benefits associated with modifying their operational and compliance infrastructures to meet the suggested standards. The FXWG anticipates that it may take firms as long as six to twelve months to assess and realign their practices to be consistent with the principles in the Code, though firms should also consider the sustainability of any changes they implement as well as the need for flexibility to adjust to changes in the Code over time.

Firms should similarly assess whether and how they will make use of the voluntary Statement of Commitment, recognizing that the FXWG anticipates publication of the Statement will serve a procompetitive function and provide a positive signal to a firm’s clients, counterparties, and the wider market regarding its commitment to good practices and ethical conduct. At present there are no review or audit-type processes articulated for assessing compliance with the Code by firms that make use of the voluntary Statement of Commitment. Members of the GFXC are responsible for promoting adherence to the Code in their own jurisdictions along with effective mechanisms to support adherence.

If you have any questions on how KPMG can assist you in assessing your operations and developing a plan to meet and maintain adherence to the Code as outlined, please contact us.

Regards,



**Deborah Bailey**  
**Managing Director**  
FS Regulatory Risk  
Americas FS  
Regulatory Center of  
Excellence Lead  
**T:** 212-954-8097  
**E:** dpbailey@kpmg.com



**Amy Matsuo**  
**Principal and National Lead**  
FS Regulatory Risk  
**T:** 919-380-1509  
**E:** amatsuo@kpmg.com



**Tracy Whille**  
**Principal**  
FS Regulatory Risk  
Securities and Investment Management  
**T:** 212-954-2691  
**E:** twhille@kpmg.com

### Authors

**Amy Matsuo**, Principal and National Lead, FS Regulatory Risk

**Deborah Bailey**, Managing Director, FS Regulatory Center of Excellence Lead

**Tracy Whille**, Principal, FS Regulatory Risk, Securities and Investment Management

**Daniel Haff**, Director, FS Regulatory Risk, Securities and Investment Management

**Philip MacFarlane**, Associate Director, Americas FS Regulatory Center of Excellence

### CoE quick links

For more information about Americas FS Regulatory Center of Excellence, please visit our Web site.

Our reports and publications can be found here:

- [Regulatory Alerts](#)
- [Regulatory Practice Letters](#)
- [Washington Reports](#)
- [Points of View](#)
- [Visit KPMG’s Financial Risk Management page](#)
- [Global CoE Web site](#)
- [Subscribe](#)

### About the Americas FS Regulatory Center of Excellence

KPMG’s Americas FS Regulatory Center of Excellence is based in Washington, DC and comprises key industry practitioners and regulatory advisers from across KPMG’s global network. These individuals work with engagement teams and clients to provide insights into the implications of regulatory changes, distill the impact of regulatory developments on clients’ businesses, and advise how to adapt clients’ business models to better thrive in this dynamic environment.

### kpmg.com/socialmedia



Privacy | Legal

You have received this message from KPMG LLP. If you wish to unsubscribe from Guidance for boards, please click [here](#). If you wish to unsubscribe from all KPMG communications, please click [here](#).

KPMG LLP, 3 Chestnut Ridge Road, Montvale, NJ 07645

© 2017 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. NDPPS 706407

The KPMG name and logo are registered trademarks or trademarks of KPMG International.