

Global Forex Code and its implementation

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The Code

- ▶ Set of global principles of good market practices applicable uniformly across the globe
- ▶ Provides a common set of guidance to the forex market participant with emphasis on inculcating ethical and professional behavior
- ▶ Provides mechanisms to demonstrate adherence to the code
- ▶ Adherence mechanisms are based on the principles of universality, proportionality and transparency.
- ▶ The adherence could be through a high level statement of commitment
- ▶ Do not impose any legal or regulatory obligations nor it would substitute any of the existing regulations

Development of the Global FX Code

- ▶ BIS formed a Forex Working Group (FXWG) in July 2015 to establish a Global FX Code and to develop mechanisms for its adherence
 - ▶ RBI was represented on the FXWG
- ▶ Market Participants Group (MPG) was formed to provide support to the FXWG in preparing the code
 - ▶ Comprised of private sector participants
 - ▶ State Bank of India (SBI) and Tata Consultancy Services (TCS) were represented on the MPG from India
- ▶ To create suitable adherence framework for smooth implementation of the Code an Adherence Steering Group (ASG) was set up
 - ▶ RBI was a member of the Group
- ▶ The Code is being implemented globally through the various Forex Committees (FXCs) with the support from the Central Banks
- ▶ The Global FX Committee (GFXC) will review the evolving market practices at regular intervals to make the code relevant.
 - ▶ Regular surveys to be conducted to assess the effectiveness and the scope of adoption of the Code
 - ▶ Initially the survey would be at frequent intervals. Thereafter it would be held along with the BIS Triennial Survey.

The Global FX Code- Leading Principals

Ethics

- Market Participants are expected to behave in an ethical and professional manner to promote the fairness and integrity of the FX Market.

Governance

- Sound and effective governance framework to provide for clear responsibility for and comprehensive oversight of their FX Market activity and to promote responsible engagement in the FX Market.

Execution

- Exercise care when negotiating and executing transactions in order to promote a robust, fair, open, liquid, and appropriately transparent FX Market.

Information Sharing

- Be clear and accurate in their communications and to protect Confidential Information to promote effective communication that supports a robust, fair, open, liquid, and appropriately transparent FX Market.

Risk Management and Compliance

- Promote and maintain a robust control and compliance environment to effectively identify, manage, and report on the risks associated with their engagement in the FX Market.

Confirmation and Settlement Processes

- Put in place robust, efficient, transparent, and risk-mitigating post-trade processes to promote the predictable, smooth, and timely settlement of transactions in the FX Market.

Frame work for adherence

Three key elements identified for effective adherence

- ✓ Embedding the code and raising awareness
- ✓ Monitoring
- ✓ Demonstrating - Statement of commitment

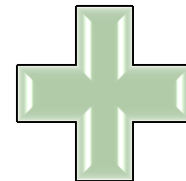
Adherence Mechanisms

- ✓ Creating a Public Register
- ✓ Through signing of Statement of commitment
- ✓ Additional Independent Certifications from External Certification Authority
- ✓ Any other method which is in conformity with the standards of the code

Global Network of Registers

- Voluntary Repository of list of Market Participants who have signed the statement of commitment
- Adherence responsibility resides with participant
- Counterparty search function

Statement of
Commitment-
Public
Register



Global Index
of Registers

- Provides global snapshot of public registers
- Hosted by GFXC
- Provides list and link to each public registry

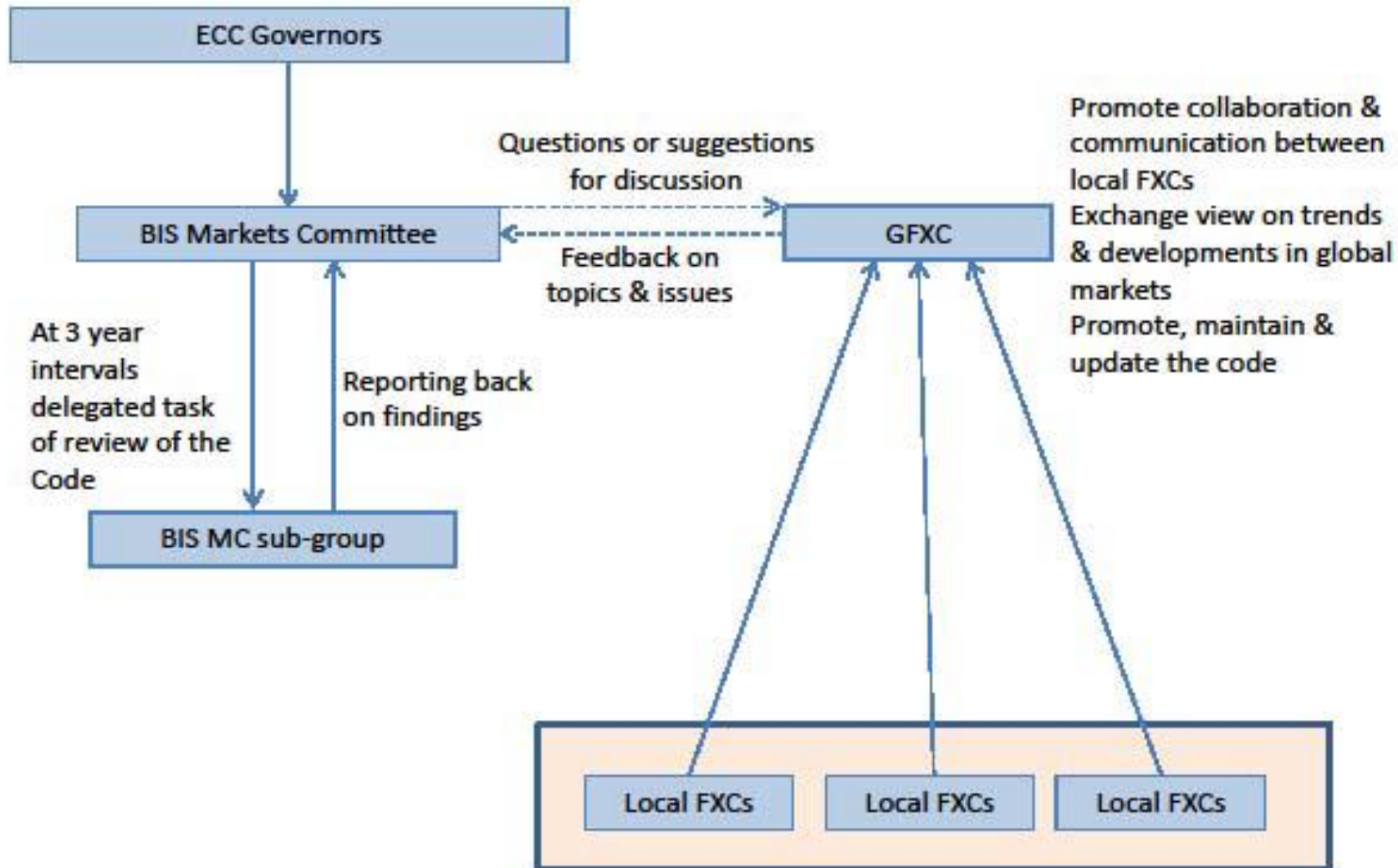
Global
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Comparison	FEDAI Code	Global Code
Draws from	RBI's Internal Control Guidelines and the ACI Code	Forex codes from across the globe and the latest practices
Applicability	Applicable only to the Market Makers	Covers the entire wholesale FX markets participants including both sell-side, Buy-side, Central Banks, Supra-nationals, Financial Institutions, platform providers and settlements services
Adoption	Regulatory in nature	Voluntary and non-Regulatory in nature
Electronic and Algo trading	Not sufficiently covered	Sufficiently covered
Risk management related to FX trading	Not covered	Comprehensively covered
Monitoring of adherence	Carried out through the Regulatory process	Development of adherence mechanism in progress
Penal structure	Available for non-adherence	No disincentive structure is currently recommended.

Recent Developments

- ▶ Launch of the Code
- ▶ Setting up of a new and expanded GFXC - objective & criteria
- ▶ Membership to the GFXC
- ▶ GFXC secretariat
- ▶ Conduct of survey and feedback on the Last look policy
- ▶ Setting up of a LFXC in India
- ▶ Outreach activities - FEDAI,FAI and industry bodies

GFXC - pictorial overview of the Objectives and functional aspects



Implementation so far...

- ▶ FEDAI in co-ordination with RBI is spearheading the implementation among the participants especially the banks and other regulated entities
- ▶ FEDAI on its part has decided to adopt the new code in place of the existing FEDAI Code for its members.
- ▶ Regarding corporates we are co-ordinating the efforts through the various industry bodies and also through the banking channel.
- ▶ Banks have been asked to promote awareness and provide training about the code among its personnel for earlier adoption and implementation
- ▶ Internally RBI has also started to review its existing processes and procedures

Objectives and timelines

- ▶ ensure orderly functioning of the FX markets and to maintain the credibility and the faith of the people in these markets.
- ▶ RBI has committed to adopt the code in India and ensure that all the major market participants adopt and adhere to the code
- ▶ RBI expects all the market participants to sign the Statement of Commitment
- ▶ Adherence to the code would enhance the credibility of the entity operating in global FX markets
- ▶ No fixed timelines but we intend to be early movers in adopting the code along with other major jurisdictions

THANK YOU

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