Codes of Best Market Practice and Shared Global Principles

The foreign exchange market is a global market. Trading hours span roughly six days per week, twenty-four hours per day and take place in various financial centers. Across these financial centers, different codes are developed and employed to promote best market practices and high standards of conduct and professionalism, and to encourage fair, liquid, transparent and accessible foreign exchange markets. These codes typically have no statutory underpinnings but they may refer to legal requirements, ordinances or regulations which are binding. Participants in the foreign exchange market are urged to respect these voluntary guidelines when conducting their business. In addition, organizations such as the BIS may also issue recommendations and guidance relating to the management of risk associated with foreign exchange transactions.

The codes seek to include guidance on all elements of the foreign exchange transaction process from pre-trade to post-trade activities. While the codes have distinctive features based upon local factors in different regions, there is broad recognition that the foreign exchange market transcends regional borders. Accordingly, the various foreign exchange committees around the world seek to work together to enhance communication and coordination, to share information on committee initiatives and projects, and to exchange perspectives on developments and trends in the global foreign exchange market. In addition, there is shared support for certain high-level principles that underpin these various distinct codes and help to promote more robust risk management practices in global foreign exchange. For example, foreign exchange market participants are expected to have policies and procedures in place to:

- develop and promote a strong culture of ethical behaviour and standards of conduct;
- promote awareness and use of general dealing practices, procedures and conventions;
- ensure accurate and timely pre-trade preparation and trade capture;
- support robust and efficient back office operations including confirmation, netting, payment and settlement; and
- mitigate risk in foreign exchange transactions from the point of execution to settlement.

The foreign exchange committees in Hong Kong, London, New York, Singapore and Tokyo each produce and maintain their own codes. The Australian Foreign Exchange Committee and the ECB Foreign Exchange Contact Group, for example, along with a number of other regions use the ACI Model Code. For further information on any of the regional codes of best market practice and more specifics on the complete guidance provided by each individual code, please see the links below:

ACI - The Financial Markets Association
ACI Model Code
http://www.aciforex.org/docs/misc/20120905_The_rewritten_Model_Code.pdf

Hong Kong Treasury Markets Association
Code of Conduct and Practice
http://www.tma.org.hk/PubFile/tmacode.pdf

London Foreign Exchange Joint Standing Committee
The Non-Investment Products Code
http://www.bankofengland.co.uk/markets/Documents/forex/fxjsc/nipscode1111.pdf

New York Foreign Exchange Committee
Guidelines for Foreign Exchange Trading Activities
http://www.ny.frb.org/FXC/2010/tradingguidelinesNov2010.pdf
Management of Operational Risk in Foreign Exchange
http://www.ny.frb.org/fxc/2010/operationsguidelinesNov2010.pdf

Singapore Foreign Exchange Market Committee
The Singapore Guide to Conduct and Market Practices for Treasury Activities
http://www.sfemc.org/pdf/SingaporeBlueBook_April2012.pdf

Tokyo Foreign Exchange Committee
Tokyo Code of Conduct
http://www.fxcomtky.com/coc/code_of_conduct_e.pdf

The following foreign exchange committees collaborated in the drafting of this statement:

Australian Foreign Exchange Committee
Canadian Foreign Exchange Committee
ECB's Foreign Exchange Contact Group
Hong Kong Treasury Markets Association
London Foreign Exchange Joint Standing Committee
New York Foreign Exchange Committee
Singapore Foreign Exchange Market Committee
Tokyo Foreign Exchange Committee