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## BIS issues new code of conduct for foreign-exchange trading

Katie Martin MAY 25, 2017

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Banks, policymakers and investors have drawn up a [new set of guidelines](#) for behaviour in the vast global foreign exchange markets, seeking to rebuild trust after years of scandals, just a day after France's BNP Paribas [became the latest bank](#) to receive a fine for years of "nearly unfettered misconduct" in currencies.

The 78-page code, coordinated and released by the Bank for International Settlements, complements an earlier version that was revealed a year ago. It is tough to enforce, and not designed to replace local laws, but the 55 principles have been compiled through consultation with all the major stakeholders. Central banks have made it clear they expect fairness, discretion and high ethical standards.

"All of us recognise the need to restore the public's faith in the foreign exchange market. We share the view that the global code plays an important role in assisting that process and also in helping improve market functioning," said Reserve Bank of Australia deputy governor Guy Debelle, who chaired the working group behind the project.

Dealer banks – the key target here – are expected to take six to 12 months to get their systems in line and aim for full compliance. They and other market intermediaries have signaled strong support for the initiative.

"The code sharpens the mind," said David Puth, the former banker also involved in drawing up the code. "We have got the right kind of controls in place and the right kind of culture. Market participants should strive for the highest ethical standards. If you look back to some of the things that have happened in the past, there are certainly instances that could be deemed unethical behaviour," said Mr Puth, now the CEO of currencies industry utility CLS.

BNP Paribas' \$350m fine, covering conduct between 2007 and 2013, comes after a clutch of the biggest banks in the business, including UBS, Citi, Barclays and JPMorgan paid a total of \$10bn in 2014 and 2015, largely to settle allegations that their traders shared too much supposedly confidential information about their clients' activities.

Most of that poor behaviour was addressed in the earlier iteration of the code, which made it clearer what types of information banks can share with each other, and with central banks. But the updated code also covers a practice known as ‘last look’, which gives banks the scope to withdraw prices at sub-second notice. Barclays was fined \$150m in 2015 for [misuse of that facility](#).

“We will continue to see questions around why it exists at all, but there’s a lot of reasons why ‘last look’ is necessary, the most often cited being the need for credit checking,” said Mr Puth. “The point is not to leave it open to abuse.”

Banks are now encouraged to think more carefully about how trade requests are processed, and not to scrap trade requests only when they are unfavourable to the bank.

Wednesday’s order against BNP Paribas is the New York regulator’s first FX-related action and could lead to more, suggesting that despite the new code and new attitudes to current and future conduct, historic cases of poor behaviour could still haunt the market for some time yet.

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