

Press release

Press enquiries:
Basel +41 61 280 9096
press@bis.org

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Foreign Exchange Benchmarks – consultation paper

In February 2014, reflecting a number of concerns raised about the integrity of foreign exchange (FX) benchmarks, the Financial Stability Board decided to incorporate an assessment of FX benchmarks into its ongoing programme of financial benchmark analysis.

The Foreign Exchange Benchmarks Group was established to undertake a review of FX benchmarks and analyse market practices in relation to their use and the functioning of the FX market as relevant. In particular, the group was mandated to undertake analysis of the FX market structure and incentives that may promote particular types of trading activity around the benchmark fixings. The Group was also tasked to propose possible remedies to address these incentives as well as to examine the construction of the benchmarks themselves. Final conclusions and recommendations of the Group will be transmitted by the FSB to the Brisbane G20 Leaders Summit in November.

The FXBG has progressed its work in recent months in part by engagement with a wide range of FX market participants across the globe, as well as through independent analysis. To assist in the preparation of the final recommendations and conclusions by the FSB, the FXBG has today published an interim report for consultation so that all market participants have the opportunity to submit their views and comment on the proposed course of action.

The group is proposing possible recommendations for reform in the foreign exchange market in the following broad categories:

- The calculation methodology of the WM/Reuters (WMR) benchmark rates;
- The publication of reference rates by central banks;
- Market infrastructure in relation to the execution of fix trades;
- The behaviour of market participants around the time of the major FX benchmarks (primarily the WMR 4pm London fix);
- Recommendations from a forthcoming IOSCO review of the WMR fixes.

Apart from the forthcoming IOSCO recommendations, the attached interim consultation report sets out fifteen draft recommendations for views and feedback from market participants and interested parties. While comments are welcome on any aspects of the report and proposals, **the FXBG is particularly inviting feedback on the following points:**

- The width of the calculation window (recommendation 1);
- The need for alternative benchmark calculations (such as a volume weighted or time weighted benchmark price calculated over longer time period) (2);
- The centring and exact timing of the fixing window (3);
- Views on the development of a global/central utility for order-matching to facilitate fixing orders from market participants (6); and
- The establishment and enforcement of internal systems and controls to address potential conflicts of interest arising from managing customer order flow (11).

Responses should be sent by Tuesday 12 August to fsb@bis.org with “FXBG comment” in the e-mail title. Responses will be published on the FSB’s website unless respondents expressly request otherwise.

Notes to editors

The work of the FX benchmark group is completely independent of the various conduct investigations into allegations of manipulation of foreign exchange markets being undertaken in different jurisdictions and the group does not have access to the evidence that is being considered by the relevant authorities.

The FX benchmark group is co-chaired by Guy Debelle (Assistant Governor, Financial Markets, Reserve Bank of Australia) and Paul Fisher (Deputy Head of the Prudential Regulation Authority: Bank of England¹):

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.

¹ Previously Executive Director for Markets, Bank of England until 31 May 2014.