

Press release

Press enquiries:
Basel +41 61 280 8461
press@bis.org

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Foreign Exchange Benchmarks – final report

The FSB is today releasing the final version of its report on foreign exchange (FX) rate benchmarks. This report has been prepared in light of discussions with a range of FX market participants across the globe, along with submissions received in response to an interim report published in July 2014 for wider public consultation.¹

The report sets out a number of recommendations for reform in the FX markets and in the benchmark rates that have been identified as pre-eminent by market participants – in particular, the WM/Reuters (WMR) 4pm London fix produced by the WM Company. These recommendations fall into the following broad categories:

- the calculation methodology of the WMR benchmark rates;
- recommendations from a review by the International Organization of Securities Commissions (IOSCO) of the WM fixes – this review is included in the report published today, and is also being published separately by IOSCO;
- the publication of reference rates by central banks;
- market infrastructure in relation to the execution of fix trades; and
- the behaviour of market participants around the time of the major FX benchmarks (primarily the WMR 4pm London fix).

The work of the FSB in this area was initiated in response to concerns raised in 2013 about the integrity of FX benchmarks. These concerns stemmed particularly from the incentives for potential market malpractice linked to the structure of trading around the benchmark fixings. As a result, the FSB Plenary formed a working group to focus on FX benchmarks. The

¹ The July 2014 consultation is available at http://www.financialstabilityboard.org/publications/r_140715.htm and public comments received are available at http://www.financialstabilityboard.org/publications/c_140819.htm.

mandate of the group was 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 tasked to propose possible remedies to address these adverse incentives as well as to examine whether there is a need and scope to improve the construction of the benchmarks themselves.

Based on discussions with the relevant market sectors, the FSB believes that all the recommendations above can and will be accepted and implemented by the market groups concerned. This should deliver a substantial improvement in market structure and conduct. But investigations into alleged misconduct are ongoing across a range of markets, and it is possible that the authorities will ultimately conclude that regulatory change is needed to promote or ensure appropriate behaviours and/or to implement the recommendations of this report.

Notes to editors

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

The FX benchmark group was 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 England²):

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.

² Previously Executive Director for Markets, Bank of England until 31 May 2014.