

Press release

Press enquiries:
+41 61 280 8138
Joe.Perry@bis.org

Ref: 59/2015

1 October 2015

FSB releases progress report on FX benchmark reforms

The FSB today published a progress report on implementation of its [September 2014 recommendations](#) for reforms to foreign exchange (FX) benchmarks. This report draws on assessments of market participants' progress which were undertaken by the main foreign exchange committees (FXCs) as well as by central banks in other large FX centres.

The implementation to date of the FSB's recommendations, together with the enhanced scrutiny on fixing transactions externally and within organisations, appears to have moved the market in a favourable direction. The overall assessment of this report is that there has been good progress in implementing many of the recommendations; however, in some cases progress has been mixed. In particular, the report re-emphasises that the FSB recommendations are intended to apply to *all* FX benchmarks, not just the WM/Reuters (WMR) 4pm London fix. A more complete implementation of the recommendations, particularly regarding other FX benchmarks, would increase the likelihood of maintaining and extending the improvement already seen. Regulators and FX market participants must remain focussed on achieving such an outcome. Key points from the report:

- Useful steps have been taken to reform the methodology of the widely used benchmark WM/Reuters (WMR) 4pm London fix, though there is scope for further progress on reforms in this area. Several central banks have also undertaken reviews of their processes for producing FX reference rates.
- Recommendations to support more transparency in customer pricing for fixing transactions have seen good implementation among the largest market participants and for the most used benchmarks, but elsewhere there is scope for further improvement. Similarly, steps to separate dealers' fixings business from other activities are occurring for the larger participants and most active markets, but again there is room for further implementation in other areas of the FX market. For the execution of benchmark transactions, industry-led initiatives to promote greater use of independent netting and execution facilities are seeing welcome progress.
- Work is underway to improve market conduct practices, both within individual firms, as well as market-wide initiatives, including the global effort underway to develop a single code of conduct for the foreign exchange market through the Bank for International Settlements (BIS) Markets Committee [working group on FX markets](#).

- While many index providers and end-users have increased their focus on their use of FX benchmarks, there is scope for greater follow-through on this for some market participants.

The report published today also includes an empirical analysis of the behaviour of the FX market around the London 4pm fixing window following WMR's changes to the window in February 2015, and compares it to that prevailing before the changes which was described in the earlier report. A noteworthy development is the increased share of algorithmic execution during the fixing window.

The FSB will continue to monitor progress in this area, and work with authorities and industry bodies as needed to ensure continued enhancements to FX benchmarks and related activity.

Notes to editors

The preparation of this report was led by Guy Debelle (Assistant Governor, Financial Markets, Reserve Bank of Australia; chair of the BIS Markets Committee).

The preparation of this report was completely independent of the various conduct investigations into allegations of manipulation of foreign exchange markets being undertaken in different jurisdictions, and there was no access to the evidence that is being considered by the relevant authorities.

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 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.fsb.org.