



The FX Global Code

Enhancing integrity in the
Foreign Exchange Market

Elevating **people**.
Elevating **business**.
Elevating **society**.

BDO
AUDIT • ADVISORY • TAX

Introduction

In 2013, a disconcerting revelation emerged: Banks had colluded to manipulate exchange rates within the foreign exchange (FX) market for their own financial advantage. In response to this FX scandal, a collaborative effort ensued. Central banks and influential FX market participants joined forces to establish the FX Global Code – a pivotal initiative launched on 25 May, 2017.

The primary objective of this Code is to reshape the FX industry, restoring a sense of fairness and trust.



Mission Statement:

Transforming the \$5 Trillion-Per-Day FX Market

The FX Global Code aims to transform the vast \$5 trillion-per-day FX market into an ecosystem characterised by robustness, fairness, liquidity, openness, and transparency. It does so by providing a comprehensive set of global best practices. Importantly, the Code does not impose legal or regulatory obligations; rather, it serves as a complementary framework to institutional compliance requirements. Self-regulation plays a pivotal role in adhering to these principles.

Growing adoption and market participation

Over the years, the FX Code has gained significant traction. Approximately 500 trading entities, including banks, brokers, and corporations, have voluntarily signed up. While the Code is not officially classified as regulation, market participants—whether operating on the “sell-side” (banks) or the “buy-side” (financial institutions like asset managers)—are encouraged to embrace its principles. To assess whether you fall within the ambit of the Code, a self-assessment tool is available via the Digital Proportionality Tool on globalfxc.org.

Sustaining ethical conduct: A continuous journey

Compliance with the FX Global Code is an ongoing process. Regular reviews, updates, and continuous education are essential to fostering a culture of integrity and responsible behaviour within the FX market.

At BDO, our Values together with our Clarity Charter form our commitment to a higher standard of transparent, ethical and performance-driven delivery. **Contact BDO for further guidance and support in navigating this dynamic landscape.**



*“At BDO, our **Values together with our Clarity Charter** form our commitment to a higher standard of transparent, ethical and performance-driven delivery.”*

Cézanne Krieg: Associate Director, Financial Services

Summary of the key principles outlined by the FX Global Code

Leading principles	Principles
1. Ethics	<ol style="list-style-type: none"> 1. Strive for the highest ethical standards. 2. Strive for the highest professional standards. 3. Identify and address conflicts of interest.
2. Governance	<ol style="list-style-type: none"> 4. Adequate and effective structures and mechanisms to provide for appropriate oversight, supervision and controls. 5. Embed a strong culture of ethical and professional conduct. 6. Remuneration and promotion structures that promote market practices and behaviours that are consistent with ethical and professional conduct. 7. Appropriate policies and procedures to handle and respond to potential improper practices and behaviours.
3. Execution	<ol style="list-style-type: none"> 8. Be clear about the capacities in which market participants act. 9. Handle orders fairly and with transparency in line with the capacities in which market participants act. 10. Handle orders fairly, with transparency and in a manner consistent with the specific considerations relevant to different order types. 11. Only pre-hedge client orders when acting as a principal and do so fairly and with transparency. 12. Do not request transactions, create orders or provide prices with the intent of disrupting market functioning or hindering the price discovery process. 13. Understand how reference prices, including highs and lows, are established in connection with its transactions and/or orders. 14. The mark up applied to client transactions should be fair and reasonable. 15. Identify and resolve trade discrepancies as soon as practicable to contribute to a well-functioning FX market. 16. Voice Brokers should only employ name switching where there is insufficient credit between parties to the transaction. 17. Last look should be transparent regarding its use and provide appropriate disclosures to clients. 18. Algorithmic trading or aggregation services to clients should provide adequate disclosure regarding how they operate.
4. Information sharing	<ol style="list-style-type: none"> 19. Clearly and effectively identify and appropriately limit access to confidential information. 20. Should not disclose confidential information to external parties, except under specific circumstances. 21. Communicate in a manner that is clear, accurate, professional, and not misleading. 22. Communicate market colour appropriately and without compromising confidential information. 23. Provide personnel with clear guidance on approved modes and channels of communication.

Summary of the key principles outlined by the FX Global Code (Cont.)

Leading principles	Principles
5. Risk management and compliance	<ul style="list-style-type: none"> 24. Have frameworks for risk management and compliance. 25. Be familiar with and abide by all applicable laws and standards that are relevant to its FX market activities and have an appropriate compliance framework in place. 26. Maintain an appropriate risk management framework with systems and internal controls to identify and manage the FX risks it faces. 27. Have practices in place to limit, monitor and control the risks related to its FX market trading activity. 28. Have processes in place to independently review the effectiveness of and adherence to the risk management and compliance functions. 29. Adequate processes to manage counterparty credit risk exposure, including where appropriate, through the use of appropriate netting and collateral arrangements, such as legally enforceable master netting agreements and credit support arrangements. 30. Processes to measure, monitor, report and manage market risk in an accurate and timely way. 31. Independent processes to mark-to-market trading positions to measure the size of its profit and loss and the market risk arising from trading positions. 32. Appropriate processes to identify and manage operational risks that may arise from human error, inadequate or failed systems or processes or external events. 33. Business continuity plans that are appropriate to the nature, scale and complexity of the FX business and that can be implemented quickly and effectively in the event of large-scale disasters, loss of access to significant trading platforms, settlement or other critical services or other market disruptions. 34. Processes to address potential adverse outcomes arising from the use of or reliance on technology systems (hardware and software). 35. Reduce settlement risk as much as practicable, including by settling FX transactions through services that provide PVP settlement where available. 36. Keep a timely, consistent and accurate record of market activity to facilitate appropriate levels of transparency and auditability and have processes in place designed to prevent unauthorised transactions. 37. Perform KYC checks on counterparties to ascertain that transactions are not used to facilitate money laundering, terrorist financing or other criminal activities. 38. Reasonable policies and procedures (or governance and controls) such that trading access, either direct or indirect, is limited to authorised personnel only. 39. Generate a timely and accurate record of transactions undertaken to enable effective monitoring and auditability. 40. Have processes in place to identify and manage legal risks arising in relation to FX market activities. 41. Prime Brokerage participants should strive to monitor and control trading permissions and credit provision in Real Time at all stages of transactions in a manner consistent with the profile of their activity in the market to reduce risk to all parties.

Summary of the key principles outlined by the FX Global Code (Cont.)

Leading principles	Principles
6. Confirmation and settlement processes	<ul style="list-style-type: none">42. Establish consistency between operating practices, documentation and policies for managing credit and legal risk.43. Institute a robust framework for monitoring and managing capacity in both normal and peak conditions.44. Implement straight-through automatic transmission of trade data from front office systems to operating systems.45. Conduct any novations, amendments, and/or cancellations of transactions in a carefully controlled manner.46. Confirm trades as soon as practicable and in a secure and efficient manner.47. Review, affirm and allocate block transactions as soon as practicable.48. Identify and resolve confirmation and settlement discrepancies as soon as practicable.49. Be aware of the particular confirmation and processing features specific to life cycle events of each FX product.50. Properly measure, monitor and control Settlement Risk equivalently to other counterparty credit exposures of similar size and duration.51. Utilise standing settlement instructions.52. Request direct payments.53. Have adequate systems in place to allow market participants to project, monitor and manage their intraday and end-of-day funding requirements to reduce potential complications during the settlement process.54. Perform timely account reconciliation processes.55. Identify settlement discrepancies and submit compensation claims in a timely manner.

*"Compliance with the **FX Global Code** is an ongoing process. Regular reviews, updates, and continuous education are essential to **fostering a culture of integrity and responsible behaviour** within the FX market."*

Zakhele Nyandeni: Director, Financial Services

About the authors



Cézanne Krieg
Associate Director: Financial Services

Relevant client experience

Cézanne's client experience includes Standard Bank, Nedbank, Citibank, Investec, Finbond, Bank Zero, Sasfin, Deutsche, Bank of Taiwan, Bank of China, Bank of Communications, HSBC, Standard Chartered Bank, China Construction Bank and BNP Paribas Johannesburg Branch

She has over 19 years' experience in the financial services industry, specialising in banking and associated regulatory audit and advisory.

Cézanne has significant experience in the regulations of local banks, mutual banks, foreign subsidiaries / branches of local banks, representative offices and branches of foreign banks.

She has performed regulatory audits at the majority of the banks in South Africa. She has also provided training relating to regulatory compliance. She has successfully assisted banks and mutual banks with their banking license applications. Her regulatory experience coupled with her SQL knowledge has made her an invaluable team member on BA automation projects. Her other advisory assignments included topics such as DI returns, Basel III, corporate governance, RDARR, ICAAP and Pillar 3.

Cézanne was also the Head of Finance, Accounting and Regulatory Reporting at a branch of a foreign bank from 2020 to 2023. She currently holds the position of Head of Financial Regulation and Compliance Services at BDO. In this role, she provides guidance and support to financial institutions, enabling them to navigate the ever-evolving regulatory landscape.



Zakhele Nyandeni
Director: Financial Services

Relevant client experience

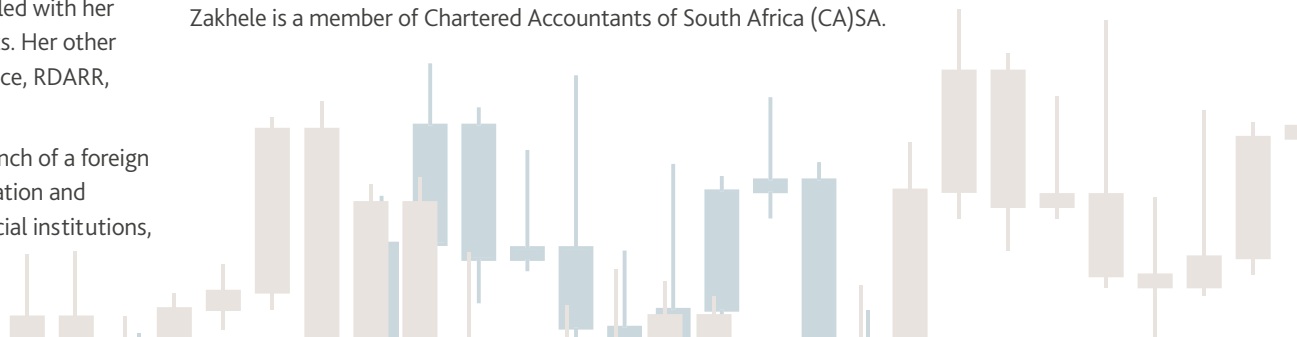
Zakhele began his career in audit at a Big 4 firm and he has over 11 years' financial services experience across the areas of external audit, risk consulting and internal audit.

His key areas of specialisation include the full life cycle of treasury audits, modelling, accounting of derivatives and money market instruments, hedge accounting assessments and market risk reviews.

Zakhele has performed audit and advisory engagements across South Africa, and throughout Africa.

His financial risk consulting credentials include specialist financial instrument risk advisory as well as unlisted credit pricing and fair valuations. Zakhele's client experience includes Standard Bank, Nedbank, Absa, Bank of China and Transnet Treasury. These include Treasury process and control reviews and credit risk pricing and management and ALCO reviews and benchmarking.

Zakhele is a member of Chartered Accountants of South Africa (CA)SA.



BDO can assist clients with assessments and alignment to the FX Global Code by providing a comprehensive suite of services.

Here's how BDO can help you:

- ▶ Provide an assessment to ascertain the degree of alignment based on the nature, complexity and scale of your FX business.
- ▶ Review your Treasury, internal controls and processes by conducting a comprehensive gap analysis, based on FX Global Code principles.
- ▶ Provide an assessment in terms of best practices of Market Conduct Rules, as they relate to the FX Global Code.
- ▶ Assist with Data Management in terms of using data and technology to extract and/or locate data and records to satisfy management information needs, thereby maintaining visibility and insight into the FX compliance reporting processes.

For detailed information on how BDO can assist with the FX Global Code, please contact us directly. Alternatively, you can visit our website for services related to compliance and reporting.



**FOR A CLEAR PERSPECTIVE,
PLEASE CONTACT:**

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