

Germany Readies World Congress



The 53rd World Congress of ACI – The Financial Markets Association takes place this year in the historical and cultural city of Berlin. It will offer delegates a blend of high level discussion over the future of markets with social events and perfect opportunities to network.

ACI Germany will host the Congress at the Maritim Hotel in Berlin from 27 to 30 March, has unveiled an extended list of confirmed speakers from the asset management, banking and regulatory segments of the industry as well as details of the business programme, which has been structured over two days with keynote addresses, a panel discussion and targeted workshops. The business sessions will comprise some of the leading minds in the financial markets.

The Congress gets underway officially on Thursday 27 March with the Opening Ceremony and dinner exhibition. The first day of the business programme on 28 March will begin with opening remarks from the new President of ACI International followed by the General Assembly. The

ensuing panel will feature a high level sell side/buy side discussion on developments in FX with a particular focus on regulation and how to keep the ethos of a self-regulated market alive.

Moderated by David Woolcock, Chair of the ACI Committee for Professionalism and Vice Chair of the ACIFXC, panellists will include Sven Carlsson, Ericsson Treasury; Patrick Fleur, PGGM Investments; Paul Chappell, C-View; Stephane Malrait, Societe Generale, Chris Knight, Standard Chartered and Robert Entenman, Unicredit.

Contact sessions, which will be held in parallel to a guided tour of Berlin, will close out the day's proceedings before delegates adjourn to the welcome event, "Germany meets the World," to be held at the U3-Subway tunnel. Opening remarks will be given by Walter Momper, the former Governing Mayor of Berlin.

The afternoon of 29 March will consist of targeted workshops. The General Assembly of ACI Germany, with the election of its new board members, will kick start the day and

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Message from the Chair

Eddie Tan
Chairman
ACI – The
Financial
Markets
Association



Dear Members and Friends,
As I look back on the last year, I am grateful that it has passed without too much of a negative impact on ACI, given that it was not a good year, considering the turmoil, conflicts and catastrophes around the world. On 31st January, the lunar calendar ushered in a new year, the year of the Horse. Though not a believer of the Chinese Zodiac, I take some comfort and look forward to a more fruitful year ahead. The Chinese people recognise that the spirit of the Horse is one that makes unremitting efforts to improve oneself. So must we, ACI – the Financial Markets Association. Financial Markets have been plagued by many issues including the scandal of index manipulation, the introduction of the Financial Transaction Tax, the ever increasing regulatory oversight and the further rationalisation of the industry, just to name a few. These challenges will not go away. We need to stay focused and look forward expectantly that there is "a pot of gold at the end of the rainbow".

ACI has also concluded following its Autumn Meeting that we must have a full time paid President to represent the interests of members and move the industry's agenda along. On that note, much work has been done since October and I am glad to

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report that we are closer to putting up a candidate for the role by March in Berlin during the World Congress. Much work has taken place and I trust that the council members will put their full support behind the successful candidate.

ACI – The Financial Markets Association, needs to continue to work

hard in engaging all the other professional bodies, regulators and members of our industry. It has the responsibility to ensure that it leads and wisely supports the industry's continuous effort to rebuild and remake itself as a credible profession. We must look forward with faith. I am reminded of a quote taken from the theologian, Saint Augustine: "Faith is to

believe what you do not see; the reward of this Faith is to see what you believe."

Let's believe that the best is yet to be for ACI – the Financial Markets Association.

Yours Faithfully,

Eddie Tan

Chairman

ACI – The Financial Markets Association

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will be held in parallel to a keynote speech for international delegates by Helmut Rittgen, Head of the Cash and Cash Policy Department, Deutsche Bundesbank Frankfurt, who will discuss the introduction of Deutsche mark in the former German Democratic Republic. A speech by Jens Weidmann, President

of Deutsche Bundesbank, the topic of which is to be announced, will be followed by a keynote from Peter Zoellner, Head of the Banking Department, Bank for International Settlements, Basel, who will discuss FX and money markets in a changing regulation environment. Workshops in the afternoon will cover

Asset-/Liability Management; Covered Bonds; Credits; Foreign Exchange; Liquidity Management; Regulation; and Repos.

The final networking event of the Congress, the Gala Dinner, takes place that evening during which the traditional handing over of the ACI flag will take place from ACI Germany to ACI Italy.

ACI Expresses "Concern" Over FTT

ACI – The Financial Markets Association has expressed its "concern" over the proposed Financial Transaction Tax (FTT) in Europe.

The Association says the tax will impact all users of financial products and not just banks and financial institutions. It will have significantly broader and larger implications for growth, jobs and pensions, the Association says, adding it will hit corporate users who today use these financial products to hedge their risks. "It will also impact individuals' savings as pension funds use many of the financial instruments available to hedge, and as a direct result secure less risky but better returns for their savers," it argues.

In a statement, ACI says the level at which the tax will be charged appears immaterial to those who are not involved in the financial markets, but when looked at across products, costs increase sharply especially as the proposals can be "many multiples" of the bid offer spread in certain cases. This could destroy some markets, it adds, taking away valuable borrowing opportunities for banks, financial institutions and corporations. As bid-offer spreads in many of the products widen, thus damaging price discovery, reducing willingness to make market prices and giving disincentives to hedging financial risks, the Association warns this

may lead to an increase in the level of overall systemic risk.

"The FTT will also kill innovation and limit a bank's ability to offer risk reducing products to clients given the unnecessary burden of incremental costs imposed by a FTT," ACI states. "This will reduce liquidity in markets further and increase inefficiency in the financial system."

The Association also notes that there is no appetite outside the Eurozone to apply an FTT and as such the tax will disadvantage banks in the Eurozone.

"Even within the Eurozone, there is a lack of understanding of how the FTT will be applied and the tax rates may differ between countries within the Eurozone," ACI states. "This is a taxation scenario setting itself up for harmful and disruptive geographical arbitrage."

"Much discussion has taken place and much resistance has been shown in the Eurozone," it continues. "The FTT is already being watered down and is likely to finish up being a local stamp duty tax in some EU countries. This parochial approach in managing what has been an efficient industry will set Europe's banking industry back against global competitors." ACI also argues that because existing robust frameworks already exist in the management of a bank's capital and its transactions, through regulations put in place by bodies such as the Basel Committee, International Organisation of Securities Committees (IOSCO) and

the Financial Standards Board, measures already exist to "effectively regulated the activities of banks". The direct consequence of an FTT will be to further weaken bank capital management with the knock on effects to the real economy through reduced lending," it claims.

In the statement, ACI stresses it welcomes measures to strengthen the framework for the governance of the

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banking industry and its operations, however, it is of the opinion that an FTT will only work against the European banking sector. "Financial Transaction Taxes have their roots in ancient Stamp Duties, are inefficient and if broadly levied in the modern economies of today will lead to knock on effects with secondary dire consequences," ACI warns. "We trust that the EU's governmental bodies will consider this carefully."

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Earlier this year SIFMA's Global FX Division published a research paper saying the FTT would typically increase transaction costs for users of the foreign exchange market by between 300 and 700 percent in the case of corporates and between 700 and 1,500 percent for pension fund managers (and by as much as 4,700 percent in some instances). ACI's statement came in the same week that Italy rolled out a transaction tax on high frequency and equity derivatives trading.

EU Lawyers Cast Doubt on FTT Validity

Meanwhile, the legal group for the European Union Council has cast doubt

upon the validity of the FTT that has been backed by 11 Member States.

The legal service, which represents the EU's 28 member countries, says that the FTT is incompatible with EU law and likely to distort competition within the European Union. The group's opinion, while non-binding, is expected to bolster opposition to the proposed tax, which is being led by the UK.

Plan for the tax were unveiled by the European Commission in 2011 and at the time the EC passed rules that allowed the tax to be implemented by as few as nine EU countries if they could prove common interest, however the legal group says the proposal "exceeds member states' jurisdiction for taxation under the norms of international customary law".

The group adds that the plan is not compatible with the EU treaty "as it

infringes upon the taxing competences of non-participating member states" and was "discriminatory and likely to lead to distortion of competition to the detriment of non-participating member states."

In spite of the standing of the legal group, the European Commission dismissed the opinion, saying it had conducted a "thorough" legal review and said it would not delay the roll out of the tax. In April 2013, the UK lodged a formal complaint on the FTT before the European Court of Justice in Luxembourg, arguing that it was an attempt to stop trades moving out of the so-called FTT zone to London or elsewhere if a party to the transaction was based in the FTT area, or acting on behalf of a party based there, which meant the trade would be taxed regardless of where it takes place.

Regulatory Focus: ACIFXC Tackles Impact on the Industry

The implementation of new regulation on both sides of the Atlantic was a significant milestone for financial markets in 2013, but the process will continue to be a primary focus in 2014 as the industry embarks on the technical application of new rules.

In terms of the impact this will have on the FX industry, it is perhaps unsurprising that the key topics on this year's agenda for ACI's FX Committee (ACIFXC) centre on how best to address the significant challenge these changes represent.

"In the last year there has been a lot of talk about regulation and the impact on the FX industry," says Stephane Malrait, ACIFXC Chair. "In particular, looking at how can we use the ACIFXC to discuss the implementation of the new regulations in the US, with Dodd-Frank and SEFs, as well as the regulation in Europe with EMIR and MiFID II and the upcoming regulation in Asia."

The mission statement of the Committee is to represent the whole FX market, including different sectors representing the global FX industry.

As a result it has representatives from the sell-side, platform providers, pension funds, money managers and corporates in a bid to represent the industry as a whole, with representatives from the US, Asia and Europe.

Even so, the level of awareness about

regulation is quite low even within the Committee explains Malrait. "So when we meet we update our members about what's going on in regulation and where we see any potential conflict which helps to start the debate and prompts the Committee members to reach out to discuss these issues with the rest of industry, to their local Association *et cetera*."

The ACIFXC also launched an initiative last year to create a White Paper on the impact of European regulation for the FX market, for which it has commissioned the services of consultancy firm Adsatis. "We will conduct interviews with the buy-side and try to gauge their concerns about the changes being brought in by EMIR and what potential impact this will have on the FX industry," says Malrait. "One example is the definition of FX forwards as being classified as derivatives under EMIR. This could potentially impact the industry because it will then follow all the same regulations as other derivative products."

Another concern that has already been raised by the project is that the interpretation of those regulations in EMIR will be applied by each local regulator.

According to Malrait, the definition of FX derivatives is different across the region. "As FX is a global market it is going to be very difficult to have those kind of local differences," he adds. "This is what the



STEPHANE MALRAIT

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White Paper will be trying to clarify."

The document is expected to be finalised before the ACI World Congress at the end of March in Berlin with copies available at the conference.

After publication, it will be used by the ACIFXC as a valuable communication tool between the regulators and each ACI Association, in a bid to raise awareness about those concerns and the potential impact these points will have.

"We believe that participants in the FX

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industry don't realise the potential impact on the real economy," Malrait says. "We have quite a few points of concern to look at which have already been raised in the first few interviews that the consultancy firm has conducted."

In addition to the difficulty in defining FX derivatives and whether FX forwards should be classed as derivatives, which is already covered in the EMIR paper, the other point of concern for the Committee is this difference between the interpretations of each local regulator with regards to how they each define FX derivatives.

For example, in the UK an FX forward is not recognised as a derivative instrument but in some European jurisdictions it will be classed as such.

Malrait adds: "The next step for the Committee will be to communicate and raise awareness of these issues, which is why it is important for us to publish this

paper in March.

"It will then be presented to the regulators, published in the press and circulated to the local ACI operations in Europe to try to raise awareness.

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The ACIFXC has also established a process to be able to communicate its findings and engage meaningfully with local regulators.

By leveraging the existing reach of the ACI network, the individual organisations will be able to communicate these concerns to their respective regulators who they have already established a relationship with, with the ACIFXC offering its expertise when needed.

"For example, ACI UK has already had contact with the UK regulators and has held meetings to discuss these issues, and

we are also invited to be part of these discussions," says Malrait.

"The same situation applies for the other countries.

"That is one of the key strengths of the ACI – its local presence and local connections to each regulator make this a very powerful way of working."

In the coming year, the FX Committee will also look at the continuing FX fixing issue, with the implementation of and requests for changes to the Model Code.

In addition, the announcement of the inaugural President Delegate this year will be a significant change for ACI, according to Malrait, as it will be the first time there will be a full-time head of the organisation.

"I think it's the right time to do it, because there is so much happening and so much change in the industry," he adds. "The FX Committee will be working with this new President to drive the agenda, as will the other committees."

ACI's CFP: A Busy Year For A Busy Market

Since it was originally presented in May 2000 in Paris, the financial industry's need for the ACI Model Code has become more pronounced year-on-year and 2014 looks set to continue this trend.

Redrafted by the Committee for Professionalism (CFP) in 2013, the first part of the Model Code covers 'timeless values', areas such as morals and ethics; personal conduct; dealing practices and segregation of duties that do not change over time.

Areas that are likely to change over time as the markets continue to evolve are included in the Model Code as appendices.

The appendices cover areas such as general risk management principles for dealing business, asset and liability management best practices and markets and instruments covered by the Model Code.

According to David Woolcock, Chair of the CFP, there are a number of sections that are planned for amendment or inclusion in the Model Code this coming year in response to market demand. The first of these areas relates to bank aggregation. In conjunction with the ACI Foreign Exchange Committee (ACIFXC), Woolcock says the CFP has been

We feel that the content we currently have in the Model Code is relevant and correct, but some people have approached us to see if we would expand the advice on what we regard as best practice concerning rate settings and the CFP is going to review that to see whether we could be more detailed in the best practices we recommend



David Woolcock

approached by market participants who are trying to collaborate with the industry in an initiative to have some best practice around the use of aggregation, particularly in the foreign exchange market.

"The CFP has gone through this issue and are minded that we will add a section on best practices for FX aggregation, not only at the wholesale level but potentially at the retail level as well," says Woolcock. When the CFP wants additional comments from the foreign exchange market it will work in conjunction with the ACIFXC, he adds.

While he certainly envisages including this in 2014, Woolcock adds that usually an amendment to the Model Code will appear in Q3.

A further area for review by the CFP this year is unsurprisingly related to alleged

rate fixing, with participants in three or four different jurisdictions having asked the committee to review the parts of the Model Code which concern rate manipulation.

"We feel that the content we currently have is still relevant and correct," Woolcock says. "But some people have approached us to see if we would expand the advice on what we regard as best practice concerning rate settings and the CFP is going to review that to see whether we could be more detailed in the best practices we recommend."

The CFP has also been contacted by a number of parties regarding the guidance for trades that are done at technically off-market rates, which are often referred to as mis-hits or off-market trades.

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“Although we have a prolonged period of lower volatility in markets, and potentially because of a reduction in liquidity, we are experiencing some extreme volatility in very short timeframes,” Woolcock explains. While the Model Code does have guidance regarding these trades, the CFP has received requests for more detailed and updated market guidelines explaining whose responsibility it is to resolve these issues.

Woolcock adds that participants have also asked the Committee whether it could come up with a new recommendation of best practice to provide firm guidance on “when to amend or even cancel trades, rather than the language that we use at the moment”.

“That is going to be investigated by the CFP and, where it has implications for the foreign exchange market, in conjunction with the ACIFCX,” he says.

Bitcoin and other virtual currencies have also made it onto the Committee’s agenda this year.

“As the chair of the Committee I cannot bind the Committee, but we will have the discussion in Berlin and at a preliminary meeting beforehand,” explains Woolcock.

“It is my opinion that until we see serious take-up of these currencies it could be a bit early to consider best practices around this. They risk being a fad and it may be more about a passing phase of interest rather than people actually thinking it will be used a medium of exchange any time soon by corporates and financial institutions.”

Pointing to recent hacking scandals involving virtual currencies as an example, he says that it is difficult to imagine a multinational company or bank getting involved in something that is that vulnerable. “However we continue to monitor the World Currency Unit (WOCU), and more recently the Ven, for signs of demonstrable demand for new virtual currencies,” he says.

The CFP also has a new Vice Chair for 2014, with Keith Sedergreen, Managing Director, Tullett Prebon Australia, taking on the role.

In addition, Robert Entenman, Global Head of e-Commerce, UniCredit Banking Group, has also adopted the role of observer and liaison between the two committees – the ACIFXC and the CFP.

And in a move which serves to highlight the global reach of the Model Code it has recently been translated into Chinese,

with Woolcock adding that the Committee is also anticipating further translations.

“We are expecting to see an Italian version of the Model Code and also a German translation in 2014,” he says. The CFP has also had banks formally

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asking to use the Model Code as their own internal code.

According to Woolcock, the Committee continues to recommend that banks using the ACI Model Code should have it signed by traders as read and understood. He adds, “They can then have a very clear document written by practitioners for practitioners, in contrast to being written by lawyers, using language they can readily understand both with regard to the rules and the spirit of the code.”

Kenya Sets the Pace for ACI Exams

As part of an ongoing commitment to the suite of examinations provided by ACI Education, ACI Kenya arranged three workshops over the last 12 months to train 50 candidates for the ACI Dealing Certificate. Of those candidates who have written the exam to-date, 20 have achieved first-time Distinction Passes.

“A combination of the candidates’ talent and hard work, as well as the expert facilitation of the training supervisors from Peter Skerritt & Associates, have all helped to make this a very proud achievement for our association and country,” says Grace Nawa, Vice-Chairman of ACI Kenya.

Pictured here at the Nairobi Hilton with Grace (leftmost lady) and Chairman Steve Lagat (back row, second from left) are many of these high-achieving young men and women.



Successful candidates in Kenya

Ghana Joins ACI

ACI – The Financial Markets Association recently held its Council Meeting in Paris. The meeting was significant for the acceptance of Ghana as the 64th National Association of ACI.

The Association’s application was submitted by ACI Chairman Eddie Tan and accepted unanimously by Council members.

Othniel Kwainoe recently took over from Kobla Nyalety as President of ACI

Ghana. He is keen to express his gratitude to his predecessor for much of the work involved in the affiliation and says he is very excited about the opportunity to work with ACI to move Ghana’s financial markets to the next level.

FX Turnover Set at \$5.3 Trillion

The foreign exchange market has a new benchmark to measure average daily turnover, after the Bank for International Settlements (BIS) released the results of its Triennial Survey of Foreign Exchange Turnover.

According to the report, global FX turnover hit \$5.345 trillion per day in April 2013. This is the first time average daily volume (ADV) has broken the \$5 trillion threshold, the total represents a 32.5% increase from the previous survey taken in April 2010.

Spot turnover rose 37.5% to just over \$2 trillion per day, while outright forward activity was 43% higher at \$680 billion per day. Signalling the continued recovery from the credit crunch, the effects of which were still evident in 2010, FX swaps business rose by 26.7% from April 2010 to \$2.23 trillion per day. FX swaps remains the biggest FX market by category, but its influence is declining. In the latest survey swaps had a 41.6% share of activity, down from 44.2% in 2010 and 51.5% in 2007, before the credit crisis. By contrast, spot activity continues to rise, with 38.3% of volume in this category from 37.5% in 2010 and 30% in 2007. There was also an increased share for outright forwards, which now account for 12.7% of ADV, up from 12% in 2010 and 10.8% pre-GFC.

FX options activity, in the last BIS survey to be taken before the new regulatory framework takes hold, registered average daily turnover of \$337 billion, a huge 62.8% rise on 2010.

Activity in futures and options of foreign exchange was barely changed across the survey period, rising just \$5 billion per day to \$160 billion.

A Yen Story

The increase in activity was expected after the release of the global FX committees' turnover surveys in late July for the same month. The surveys taken by the committees in the UK, US, Singapore, Japan, Australia and Canada indicated a surge in activity in yen, which has translated into the BIS data. In 2010, the BIS set average daily yen turnover at \$567 billion, in the latest survey it was \$978 billion, indeed the report notes that activity in yen was largely driven by an increase in the six months to April 2013.

With a 23% share of all activity (up from 19% in 2010) the yen has cemented its place as the third most actively traded currency in global markets. While the US dollar also added to its market share, most likely as a result of the surge in USD/JPY activity (responsible for 87% up from 84.9%), the euro did not receive a similar boost – the ongoing crisis in the Eurozone seeing the single currency's share decline to 33.4% from 39.1%.

As something of a blow to those promoting the euro as an alternate reserve currency to the dollar, this is its lowest share since the single currency was adopted – indeed usage is only 1.4% higher than it was in 1998 as measured by the legacy currencies.

Reflecting a better economic performance, a strong banking sector and, predominantly, its role as a “carry” currency, activity in the Australian dollar rose by one percentage point to 8.6%. AUD/JPY activity nearly doubled from the 2010 survey to \$45 billion per day. The yen story is expected to be a short term phenomena, a BIS paper released in December estimated that activity had dropped by around 8% in global FX markets by September, almost entirely due to a decline in yen activity.

EM on the Rise

A striking feature of the report is increased activity in emerging market currencies, although the BIS does note that this could partly be due to better collation methods in some centres. While the top seven currencies remain the same from the previous report, the Mexican peso has seen activity grow, giving it a 2.5% share of ADV from 1.3% in 2010. This has seen the peso rise to eighth place in the currency table, USD/MXN turnover registering \$128 billion per day. Even more interesting given the internationalisation program underway in the country is the success of the Chinese yuan, which has seen its share of the market more than double from 0.9% in 2010 to 2.2% in 2013. Given the pace of the increase – in 2004 CNY had a 0.1% market share, expectations are that in the next survey in 2016 CNY could be challenging the Canadian dollar and Swiss franc for sixth or seventh place. Currency the CAD has a 4.6% share and the CHF 5.2% - both declined from 2010.

In notional terms, the CNY (the data includes offshore transactions denoted as CNH) sees average daily volume of in USD/CNY of \$113 billion per day, up from \$31 billion in the 2010 survey – the first to include the currency.

Another emerging market currency expected to continue its climb is the Russian rouble, which is now the 12th most active currency, up from 16th in the previous survey. Currently the RUB has a 1.6% market share, up from 0.9% in 2010 and it is likely to be pushing for a spot in the top 10 at the expense of the New Zealand dollar (currently 2.0%, itself an increase from 1.6% reflecting the NZD's role in the carry trade). USD/RUB trade rose to an average \$79 billion per day, after not registering at all in previous surveys.

Overall, the Turkish lira, South African rand, Brazilian real, Chilean peso, the Romanian leu and the Peruvian new sol saw their share of activity rise, while the Hong Kong and Singapore dollars, Korean won, Indian rupee, Thai baht, Israeli shekel, Philippine peso and Colombian peso saw their influence decline.

Client Influence

New data collected in the Triennial Survey show that 16% of dealers' global FX transactions were conducted via a prime brokerage relationship with their clients. In another first, the survey shows that 3.5% of global FX volumes in 2013 was driven by trades of dealers with retail customers, either via electronic margin trading platforms or through retail aggregators.

Although no comparative data is available from previous surveys, the prime brokerage share of activity is expected to have increased, especially in spot. This reflects the continuing trend that is the growing domination of the Other Financial Institutions segment. The 2013 survey provides a breakdown of counterparty categories. The data indicate that non-reporting banks, smaller and regional banks that serve as clients of the large FX dealing banks but do not engage in market-making in major currency pairs, account for roughly 24% of global FX turnover.

Other quantitatively significant financial

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players include institutional investors as well as hedge funds and proprietary trading firms, with a share in global FX turnover of about 11% for each group. By contrast, trading by official sector financial institutions such as central banks and sovereign wealth funds accounted for less than 1% of global FX market activity in April 2013.

Inter-dealer trading grew by 34% to \$2.1 trillion in 2013, up from \$1.5 trillion in 2010. The share of inter-dealer trading in global FX transactions stood at 39% in 2013, and hence remained roughly constant over the past three years. Dealers' FX transactions with non-financial customers decreased substantially between 2010 and 2013, from \$532 billion in 2010 to \$465 billion in 2013. Non-financial customers – a group that includes corporations and governments among others – accounted for merely 9% of global FX turnover in 2013. Since the 1998 Triennial Survey, the share of non-financial customers has decreased by 8 percentage points. With the exception of currency swaps, where the share of non-financial customers expanded slightly, the declining role of non-financial customers in FX turnover is evident across all instrument categories, most notably spot and forwards.

In notional terms, across all products, non-reporting banks are responsible for \$674 billion of activity a day, by far the biggest “client” segment, followed by institutional investors and hedge funds (including proprietary trading firms) which both execute around \$308 billion. In spot terms, Other Financial Institutions now represent 57.8% of all activity, easily the largest share the sector has ever held. As an indication, in 2007, this sector was responsible for 39.2% and in 2004 it was 33.7%. In 15 years, since the 1998 survey,

Other Financial Institutions' share of activity has nearly trebled. Partly this is a reflection of wider banking industry consolidation, and partly a result of the coagulation of activity among a small group of banks which has seen more banking institutions move into the Other Financials sector. Another factor is, inevitably, the increased influence of proprietary trading firms, which includes high frequency traders and non-bank market makers.

In notional terms, Non-reporting Banks execute \$506 billion per day, for a 24.7% share of spot activity, while hedge funds and PTFs have a 13.4% share, executing \$282 billion per day and institutional investors trade \$267 billion.

The share of hedge funds and proprietary trading firms is a little surprising given how the high frequency sector is thought to have impacted the market. Just three years ago, there were estimates that HFT in its various forms, was responsible for almost one-third of activity, this suggests it is much lower than that and may reflect a wider shift in the market microstructure. The past three years has seen a more democratic landscape emerge in terms of the multi-participant platforms, partly due to the rise of aggregated, relationship liquidity. The decline in influence of HFT in particular, could be a manifestation of the rise of aggregation venues and the reluctance of many players to interact with HFT liquidity on anything other than their own grounds.

Other Financials are also responsible for the lion's share of outright forward business, with 59.1% of activity, up from 53.5% in 2010 and 43.9% in 2007, however Reporting Dealers still hold sway in the FX swap market, with a 48.7% share of activity, compared to Other Financials' 44.9%. The vast

majority of FX swap activity is focused at the short end – 70.1% of activity has a maturity under seven days – and the domination of the major dealers may explain why FX swaps have failed to be driven to electronic markets.

Geographies

The UK remains the world's largest centre by far, grabbing 40.9% of ADV (from 36.8% in 2010), its biggest share of the market since the BIS started reporting turnover in 1992. The UK is followed by the US which has 18.9% (17.9%).

Singapore has overtaken Japan as the third largest FX centre, seeing its share of activity rise to 5.7%, (5.3%) just in front of Tokyo at 5.6% (6.2%).

As was the case with currency shares, the 2013 Triennial Survey provides good news for emerging market centres. Of the 19 centres to see a change in activity, 15 emerging market centres saw it increase. Chile saw activity double and China outperformed even that, measuring onshore daily activity at \$44 billion from \$20 billion.

In Asia Pacific, aside from the four major centres, regional centres saw \$182 billion per day, up from \$131 billion in 2010. The eight centres this represents, now account for 2.9% of global activity.

It was a similar picture in Latin America, where the six centres to report registered a \$24 billion per day increase to \$67 billion. Only Argentine saw a volume decline, while Mexico led the way with a \$15 billion per day increase.

In a further sign that emerging markets are gaining more influence – aside from the UK, the only four other centres to register a new high in terms of their share of the market were all emerging markets based – Chile, China, Thailand and Turkey.

Top 10 Centres (2010 position)

1:	United Kingdom	(1)
2:	United States	(2)
3:	Singapore	(4)
4:	Japan	(3)
5:	Hong Kong	(6)
6:	Switzerland	(5)
7:	France	(8)
8:	Australia	(7)
9:	Netherlands	(=20)
10:	Germany	(10)

Top 10 Currencies (2010 Positions)

1:	US dollar	(1)
2:	Euro	(2)
3:	Japanese yen	(3)
4:	Sterling	(4)
5:	Australian dollar	(5)
6:	Swiss Franc	(6)
7:	Canadian dollar	(7)
8:	Mexican peso	(14)
9:	Chinese yuan	(17)
10:	New Zealand dollar	(10)

Interest Rate Derivatives Trade Also Rising

Alongside the headline FX survey, the Bank for International Settlements also measures activity in interest rate derivatives markets. The 2013 survey finds that trading in OTC interest rate derivatives markets averaged \$2.3 trillion per day in April 2013. This is up from \$2.1 trillion in April 2010 and \$1.7 trillion in April 2007.

Interest rate swaps were the most actively traded instruments in 2013, at \$1.4 trillion per day, followed by forward rate agreements at \$0.8 trillion.

As was the case with FX, the growth of interest rate derivatives trading was driven by financial institutions other than reporting dealers. Trading between dealers and non-financial customers contracted between the 2010 and 2013 surveys. So too did inter-dealer activity, which at 35% in 2013 accounted for the lowest share of total turnover since interest rate data were first collected in 1995.

In contrast to foreign exchange markets, where turnover increased in most currencies between 2010 and 2013, the

trend in OTC interest rate derivatives markets varied across currencies. The turnover of OTC contracts on euro interest rates increased to \$1.1 trillion, whereas that on US dollar rates was unchanged at \$0.7 trillion and that on yen rates declined to less than \$0.1 trillion. The turnover of interest rate derivatives for several emerging market currencies increased significantly between the 2010 and 2013 surveys, including for the Brazilian real, South African rand and Chinese renminbi.

Changes in the geographical distribution of turnover tended to track the changes across currency segments, increasing in centres where euro and emerging market interest rate contracts are traded and declining in some other centres. The proportion of trading intermediated by sales desks in the United Kingdom increased to 49% in April 2013 from 47% in April 2010.

Turnover in single currency OTC interest rate derivatives went up slightly since the 2010 survey, notwithstanding the environment of generally low and stable interest rates and major regulatory

reforms affecting OTC derivatives markets. Daily average turnover measured in notional amounts rose by 14% to \$2.3 trillion in April 2013, the lowest rate of increase since the inception of the interest

In contrast to foreign exchange markets, where turnover increased in most currencies between 2010 and 2013, the trend in OTC interest rate derivatives varied across currencies...turnover in euro contracts increased, it remained unchanged in the US dollar and declined in the Japanese yen

rate part of the survey in 1995. That said, it compares to a sharp fall in activity in exchange-traded interest rate contracts; turnover in futures and options on interest rates fell by 38% between April 2010 and April 2013, to \$5 trillion.

Moral Compass: ACI's Model Code Sheds Light on Rate Manipulation

The foreign exchange industry continues to be rocked by allegations that dealers at some major banks "manipulated" or "colluded" to move markets away from clients orders ahead of the popular WMR 4PM Fix. The allegations have led to the suspension of several dealers at multiple banks and formal investigations have been started by several regional regulatory bodies.

While the headlines have involved the words "collusion" and "manipulation" there is a strong body of opinion throughout the FX industry that if proved, the allegations are actually those of "front running" customer orders rather than a deliberate attempt to move markets. ACI's Committee for Professionalism (CFP), under the guidance of its Chair, David Woolcock, has maintained an

The allegations often seem to be describing front running rather than collusion or manipulation and as such are a clear breach of existing best practice as cited in the Model Code. Unless collusion to manipulate or rig the FX market is proven, then this is different from recent events in other fixing mechanisms



David Woolcock

active stance on the allegations, commencing from the issuing of a press release the day after the first revelations that drew the market's attention to the relevant sections of the ACI Model Code, in which the guidelines explicitly cover the responsibilities dealers have with regard to rate manipulation. "There seemed to be some confusion as to what front-running actually meant and

what the duty and obligations were related to this," says Woolcock, who is also Vice-Chair of ACI's FX Committee (ACIFXC). ACI has reminded its members and all OTC market participants of the "firm guidelines regarding this topic" which called for written procedures that "clearly stipulate the institution's control policy in relation to front running or parallel

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Model Code. Continued from p.8

running; where traders knowingly execute trades in front of a customer order.”

The guidance warns that dealers and sales staff should not “profit or seek to profit from confidential information” and that where a jurisdiction does not explicitly cover insider trading and market abuse in legislation or regulations, management should instead provide clear guidelines to staff on how to handle such information. As the story unfolded, several leading banks have said they are cooperating with the various authorities and are providing the information requested, including the recorded content of online chatroom conversations between traders, which is where the alleged activities took place. “If there has been wrong-doing in the banks, let’s root it out,” says Woolcock. “It’s always possible that you can get a few bad apples in the barrel, and it is just a matter of getting rid of them.”

But he warns against the dangers of drawing conclusions without knowing the facts behind the claims, that he believes are often written as an accusation of collusion or market manipulation instead of front running which seems a more

accurate description of the activity described. “This means the allegations are of a clear breach of existing best practice as cited in the Model Code. But unless collective collusion to manipulate or rig the market is proven then this is different from recent events in other fixing mechanisms,” he adds.

Woolcock also warns that the suspension of traders is not in itself a certain indication of any wrongdoing as defined in the Model Code, but may be due to the trader having broken the rules of his own employment contract concerning matters such as external communications. “Since the beginning of time the foreign exchange market has exchanged information about positions one to another,” he says. “This does not in itself mean you have committed a malpractice.” He says he is also aware of various alternatives that are being suggested to the Fix, but believes that the fixing methodology used by WMR is not necessarily broken as it “seems to be a well-run Fix”.

“To my mind, it’s the use to which that Fix has been put, by trying to do very large amounts in a 60 second window,” he

says. “Some suggestions have been made such as the length of time that you establish the Fix should be longer, but there are algorithms available that help you achieve this.”

The entities’ placing orders at the Fix are regulated, adds Woolcock, and as such are subject to having processes to prove best execution.

“The TCA and EQA models [used by some pension funds] appear to have used the Fix itself to benchmark and whether that’s appropriate is worthy of further investigation,” he adds.

In the summer the Credit Suisse chairman, Urs Rohner, said that it was not clear “what precisely the topic of investigation is”. Woolcock echoes this sentiment, adding that although there have been observable actions from the regulatory bodies, until it is known exactly what is under investigation it is “very hard to tell what the end game will be”.

He says: “I would hope the regulators will conclude their investigations as quickly as possible because markets hate uncertainty, and it’s not good to have uncertainty for too long a period.”

BITCOINOMANIA: Hype or Pioneer in the Field of Virtual Currencies ?

I was recently alerted to some of the issues surrounding virtual currencies when reading headlines like ‘...Chinese government issues its most direct statement on the legitimacy of Bitcoins’, or learning that the US Federal Reserve Chairman, Ben Bernanke has released a letter on virtual currencies to help guide the US Senate.

Is this not proof enough that Bitcoins attract attention at the highest regulatory level? Acting as the Past President of ACI – The Financial Markets Association, with its focus on the foreign exchange business (and others), I decided to deepen my understanding.

“Trade Bitcoins in 4,260 cities and 192 countries”, including Austria (my homeland), this is what I got first when starting my research on Bitcoins online. Buy (or sell) Bitcoins online in xyz, or Buy (or sell) Bitcoins with cash near xyz, or simply using a Single Euro Payments

Area (SEPA) bank transfer, OKPay, Paypal, PaySafeCard etc. The location platform provides potential buyers/sellers and further indicates the distance in kilometers to the next trader (and even provides a ‘show more function’ which is map-based).

What is a Bitcoin?

Launched in 2009 by a pseudonymous developer, Satoshi Nakamoto, Bitcoin is a form of digital currency produced by people running computers all around the world. The idea behind it was probably to create an alternative currency at low cost for transactions, independent from any authority and easily transferable by electronic means.

Specifications of a Bitcoin:

- Bitcoin - BTC (fractions of Bitcoin are known as satoshis)
- Virtual currency (bought/sold for traditional currency)
- Divisible to the eighth decimal place



Manfred Wiebogen

Bitcoin might be called the world’s first decentralised digital currency

(one hundred millionth)

- Traded on various online exchanges, or can be directly transferred across the Internet from one user to another (using appropriate software)
- Creation through mining (using com-

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Bitcoin. Continued from p.9

- putting power/complex mathematic procedure in a distributed network; mathematical formulae is freely available and the software is open source)
- Purely created and held electronically
- Maximum number of Bitcoins issued: 21 million
- No intrinsic value (no commodity underlying)
- Not regulated (no central monetary authority)

A survey by the Federal Bank of Chicago acknowledges that the Bitcoin protocol ‘...provides an elegant solution to the problem of creating a digital currency (i.e., how to regulate its issue, defeat counterfeiting and double-spending, and ensure that it can be conveyed safely)...’ – all without relying on a single authority. Since its creation in 2009, Bitcoin has become a popular way to pay for goods and services online. Over 12 million Bitcoins are circulating according to various websites. The volatility is high – sometimes extremely high – and the prices react very sensitively and immediately on any news about the virtual currency. Messages like “Bitcoin hits xxx, up 107% in a week” or the opposite were not a rarity during 2013. Bitcoin traded below US\$ 20 in January 2013, reached US\$ 900 with some ups and downs beginning of November and then went on to surpass US\$ 1,200. On December 5th the Bitcoin plunged at some exchanges more than 20% after the People’s Bank of China (PBOC) banned financial institutions from carrying out transactions in this currency. The PBOC stated it is not a currency with a ‘real meaning’ and doesn’t have the same legal status. While financial institutions are barred from handling it, however, the public is free to participate in Internet transactions at their own risk. The currency received an additional boost when several entrepreneurs declared they will accept Bitcoin as payment. There is the example of the University of Nicosia announcing it will accept Bitcoin for fees and tuition starting from the Spring semester. Another example is the Bitcoin ATM operating now in Vancouver as of November. In addition, you will find travel agencies, book stores, sandwich shop etc., accepting the BTC. Should you be interested in what you are able to buy or where to spend the virtual currency, just look up online (spendbitcoins.com) – you will be overwhelmed at the number

Because of the Bitcoin being unregulated and decentralised, no central authority or government will have control of it or access to your investments...During the recent Cyprus crisis, bank depositors were charged for helping the country recover and subsequently lost a large sum of money

of BTC participants you will find. Needless to say, there are more opportunities.

What makes BTC popular?

An oft-heard argument about why one would use or invest in Bitcoins is the independence from any government. During the recent Cyprus crisis, bank depositors were charged for helping the country recover and consequently lost a large sum of money. Since then rumours have been circulating that there could easily be a repeat.

An unfortunate public statement by the IMF claimed that 10% depositor participation on European government debts could massively help the weak and heavily indebted countries, but it also nurtured the fear of another financial crisis, as well as fed a growing sense of distrust.

Because of the BTC being unregulated and decentralised, no central authority or government will have control of the virtual currency or have access to your investments in Bitcoin. Neither the Federal Reserve Bank, nor the European Central Bank (ECB), nor any other authority is able to supervise virtual currencies (yet). Ben Bernanke further remarked in his recent letter to the Senate: “... The Fed would only have the authority to regulate a virtual currency product if it is issued by, or cleared or settled through, a banking organisation that we supervise. Given the Federal Reserve’s authority and the manner in which virtual currencies have developed, the Federal Reserve has focused primarily on a supervised banking organisation’s role in the products’ sale and distribution, as well as the applicable regulations, such as Bank Secrecy Act/anti-money laundering requirements...”

This, in large part, is in line with the December statement of the PBOC, China Bank Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), China Insurance Regulatory Commission (CIRC) and Ministry of Industry (MOI) but also leaves enough space for BTC to become a mainstream

option for public investors and participants.

How Bitcoins work

Bitcoin might be called the world’s first decentralised digital currency. It is referred to as a new kind of currency (alternative private currency) – but in the form of a virtual token rather than being a physical coin or banknote. While the value of a country’s currency is mainly linked to a country’s GDP (and the net worth of its issuing currency and some other assets) the value of the Bitcoin is determined by how much people are willing to exchange for it (how much trust is given to it – as there is no country’s economic power backing it).

I am going to try and explain the total formula of the Bitcoin, but only in very simple terms. ‘Mining’ is the procedure involved in processing Bitcoin transactions based on sophisticated mathematical calculations with a 64-digit solution. Each problem solved processes one block of Bitcoins and the miner becomes rewarded with new Bitcoins. So, people receive an incentive to provide computer processing power to solve the problems. In compensation the difficulty of the mystery is adjusted to ensure that at the end a steady stream of about 3,600 new Bitcoins are issued per day. At the end, this implies that the total number of Bitcoins in existence will approach but never exceed 21 million. At time of writing, there are some 12 million Bitcoins in existence.

To receive a Bitcoin a participant must have a Bitcoin address (a string of 27-34 letters and numbers) which is a kind of virtual postbox. Bitcoins are received or sent from this account. Transactions are fully anonymous as there is no registry of these addresses. On the other hand the addresses are stored in so-called Bitcoin wallets, which serve to manage the savings – like anonymous bank accounts.

Seize of the markets

Following a website statistic (coindesk.com) the Bitcoin market looks

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Bitcoin. Continued from p.10

surprisingly active. By the end of November (26th more specifically), I could identify the following figures:

- Total bitcoins (BTC)
12,039,475 BTC
- Market value on actual prices
USD 9,258,476,670
EUR 7,464,474,500
- Daily transactions
75,853
- Transactions per hour
3160
- Bitcoins sent during a day
some 1,801.210,56 BTC
- Bitcoins sent average per hour
some 75,050,44 BTC

Some market views

Speaking end of November at an economic forum, Yi Gang, the Deputy Governor of the PBOC and Director of the SAFE (State Administration of Foreign Exchange) clarified, that it would be impossible for China's central bank to recognise the Bitcoin as a legal financial instrument in the near future. A further statement from Chinese officials in early December confirmed this view. However, Bernanke did also praise the financial innovation which "...may hold long-term promise, particularly if the innovations promote a faster, more secure and more efficient payment system". However, the given volatility of the Bitcoin market not only reflects essential uncertainty on how regulators may decide in the future, but also the doubt on how to assess the virtual currency by the divided opinions of the public. Trawling the Internet and following some forums, I sense there are various opinions on the matter including:

Pros

- Enthusiasm for Bitcoin is driven by a distrust of state-issued currency
- It is an alternative private currency
- A new corporate currency
- It is a remarkable concept and may very well have a future role in stabilising either governments or allowing corporates to stabilise their own positions in rough waters
- One of the key drivers of adoption has been the general public's diminished faith in the basic soundness and credibility of key pillars of the financial system
- The Bitcoin's string of digits are an important foundation and its introduction

The financial crisis nurtured public demand for a depositor's safe haven, due to distrust driven by uncertainty and the crisis, Bitcoin was enthusiastically received

- of a new form into the payment channel can serve to bring more transparency
- Important to be mindful that currency serves beyond that medium of exchange, which extends to store of value and unit of account
- Currently traded on approximately 80 exchanges in over 20 countries
- Wider use of Bitcoins could theoretically lead towards creation of the first global currency
- Probably it costs a lot more effort and time to produce a Bitcoin than it does to produce an additional USD

Cons

- Looks like a speculation and possible scam
- Typical pyramid scheme that everyone is willing to buy into
- It is a speculative derivative with no underlying asset
- Risk that governments will want to shut it down
- A currency is only worth what it can be redeemed for
- A value of a currency is derived from gold/silver (in the old days) and/or from a country's GDP and other asset
- The BTC spot price appears to be pure supply and demand
- If a Bitcoin is not pegged to something it will stay an instrument of auction
- The introduction of a new currency into this global system without proper oversight and regulation can increase risk which might end in global implications
- Without regulation, fluctuations in value could run wild
- One fundamental problem is that the algorithm limits the number of BTCs to about 21 million (fortunately a BTC can be subdivided to eight decimals)
- Different types of currency end with fiat currencies
- Bitcoins are absolutely a Ponzi scheme
- Tulip bubble or tulip mania of 1637/Amsterdam
- Value generated by a computer is not true value

After putting across both sides of the debate, I would encourage you to make your own mind up at this stage of the development.

Conclusion

The true nature of money is that people will accept it in exchange and it can be used to store value. The financial crisis starting in 2008 nurtured the public demand for a depositor's safe haven. A result of the crisis was that commodities took on an important role and turned into a desired and eligible asset. The creation of the Bitcoin emerged at a time of utmost financial instability and uncertainty. Driven by distrust, the currency was well received and with enthusiasm. Outside of traditional and regulated channels it has been used to transfer funds and to enter into speculative investment opportunities. Some might speculate to see a fully adopted and fully fledged currency. However, the public opinion is very much divided.

The innovator of Bitcoin probably had in mind to create a fully independent and unregulated tool. I suppose, as soon as the Bitcoin becomes widely recognised, we might see governmental intervention. Anyhow, we have to admit the conceptual set-up of the virtual money, its complex mathematical mining and its trading through exchanges is nothing short of remarkable. It has all the makings of a brilliant idea for specific activities but may still need further and more in-depth observation.

Could it be that Bitcoin will be a pioneer as virtual currency? Before we are able to answer this hypothesis, every investor should follow clear rules: Check your personal risk/return profile.

Some links

bitcoincharts.com
bitcoin.de
bitcoin.sipa.be
localbitcoins.com
coindesk.com
bitcoinwatch.com
spendbitcoins.com

Manfred Wiebogen
 Past President ACI The Financial Markets Association

FX Exempted from New Margin Framework

Physically delivered FX forwards and swaps have been exempted in the final framework establishing the margin requirements for non-centrally cleared derivatives, published by regulators.

The Basel Committee on Banking Supervision (BCBS) and the International Organisation of Securities Commissions (IOSCO) published a set of “globally agreed standards” under which all financial firms and systemically important non-financial entities that engage in non-centrally cleared derivatives will have to exchange initial and variation margin commensurate with the counterparty risks arising from such transactions.

The bodies say the framework has been designed to reduce systemic risks related to OTC derivatives markets, as well as to provide firms with appropriate incentives for central clearing while managing the overall liquidity impact of the requirements. The final requirements were developed taking into account feedback from two rounds of consultation, as well as a quantitative impact study that helped inform the policy deliberations. Chief among the modifications is an exemption for physically settled FX forwards and swaps, although the paper says that variation margin on these derivatives should be exchanged in accordance with standards developed after considering the Basel Committee supervisory guidance for managing settlement risk in FX transactions.

The final framework also exempts from initial margin requirements the fixed, physically settled FX transactions that are associated with the exchange of principal of cross-currency swaps. However, the variation margin requirements that are described in the framework apply to all components of cross-currency swaps. “One-time” re-hypothecation of initial margin collateral is also now to be permitted subject to a number of strict conditions. “This should help to mitigate the liquidity impact associated with the requirements”, the bodies state.

A number of other features of the framework are also intended to manage the liquidity impact of the margin requirements on financial market participants. In particular, the requirements allow for the introduction of a universal initial margin threshold of €50 million below which a firm would have the option of not collecting initial

margin. The framework also allows for a broad array of eligible collateral to satisfy initial margin requirements, thus further reducing the liquidity impact.

The paper also envisages a gradual phase-in period to provide market participants with sufficient time to adjust to the requirements. The requirement to collect and post initial margin on non-centrally cleared trades will be phased in over a four-year period, beginning in December 2015 with the largest, most active and most systemically important derivatives market participants.

...As FSB Signal Satisfaction with Reform Progress

The Financial Stability Board, which operates under the auspices of the Bank for International Settlements, has issued its sixth progress report on the reform of OTC derivative markets.

The latest report finds that substantial progress has been made by standard-setting bodies, national and regional authorities and market participants toward meeting the G20 commitments, through international policy development, adoption of legislation and regulation, and expansion of infrastructure. The commitments were established by G20 in 2009 and seek to ensure that all OTC derivatives contracts are reported to trade repositories (TRs); all standardised contracts are traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs); non-centrally cleared contracts should be subject to higher capital requirements and minimum margining requirements should be developed.

The report says that by the start of 2014 three-quarters of FSB member jurisdictions intended to have legislation and regulation adopted to require transactions to be reported to trade repositories. Frameworks for central clearing requirements are in place in most of the largest derivatives markets, with concrete rules now starting to go into effect.

It further finds that minimum standards are in place for sound risk management of Financial Market Infrastructures (FMIs), including CCPs, supporting OTC derivatives markets. Guidance on FMI recovery and resolution has been proposed, to avoid a situation in which these institutions would otherwise be ‘too

big to fail’. Standards for margin requirements and capital requirements related to non-centrally cleared transactions have been agreed or proposed, which once implemented will promote sound risk management and encourage use of central clearing. The report also hails the recent announcement that regulators from a number of large OTC derivatives markets have reached understandings to improve the cross-border implementation of OTC derivatives reforms and highlights the recent report from the Macroeconomic Assessment Group on Derivatives that suggested there were long term economic benefits from the reform process.

The semi-annual report also focuses on the readiness of market participants for the reform process. It says that “in general” participants appear to be making good progress in their preparations for implementation of reforms. The actual use of centralised infrastructure by market participants is most advanced in trade reporting and central clearing of OTC interest rate and credit derivatives.

It adds that the large share of cross-border activity in many OTC derivatives markets means that clarity in how jurisdictions’ regulatory regimes interact is crucial for all stakeholders.

The reports also discuss areas where further work is needed to complete the reforms and achieve the G20 objectives. It cites the increased use of central clearing, and a renewed focus on the commitment to increase the use of exchanges and electronic trading platforms as a key area, as well as the establishment of resolution regimes for FMIs, including CCPs.

The report also stresses the need for continued work by regulators to cooperate in the application of regulations in cross-border contexts, to enable them to defer to each other’s rules where these achieve similar outcomes and greater clarity from regulators regarding the detailed rules on the treatment of cross-border transactions and the timetables for implementation. It adds that ensuring that authorities can make full use of the data collected by trade repositories in fulfilling their financial stability mandates, including via the aggregation of TR data, is also a priority.

In a separate report, the FSB’s Senior Supervisors Group has said that while progress was being made, more needed to be done on counterparty risk.