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ACI pushes for global code of ethical conduct

ACI, the wholesale financial markets industry association, continues to press for the adoption of a global code of ethical conduct for FX market participants, warning the industry will find itself over-regulated if it does not get its act together.

The comments come shortly after Tracey McDermott, director of enforcement for the UK Financial Conduct Authority (FCA), warned attendees of the annual *FX Week* Europe conference that unless the industry comes up with solutions to the misconduct issue, regulators will have to step in and mandate change.

Although the ACI Model Code has been in existence for two decades, its use is not mandated globally and some central banks, such as the Bank of England and the US Federal Reserve, continue to advocate their own separate conduct guides.

"The only global code is the ACI Model Code. It is written by a group of professionals and market practitioners for the use of market practitioners. It provides guidance on practical matters, as well as giving guidance on ethical and moral issues. It demands that individuals be accountable for their behaviour, but also places emphasis on supervisory responsibility and obligation. As such, it is fully aligned with the requirements of various regulators," says Marshall Bailey, president of the association.

Ethical standards in the FX industry have come under the spotlight during the investigation into allegations of benchmark fixing, which produced its first round of fines late last month. The UK's FCA, the Commodity Futures Trading Commission and its Office of the Comptroller of the Currency in the US, and the Swiss regulator Finma slapped several large banks with combined penalties of $3.4 billion for poor business practices surrounding the 4pm WM/ Reuters fix.

The fines and ongoing investigation prompted McDermott to issue a firmly worded warning to industry participants, hinting that more regulation could be on the cards if the industry fails to address the issue.

"Firms have started the process of changing culture. But what the FX cases demonstrate is that despite enormous effort and resources, the change in culture and rebuilding reputation still has a long way to go. We need to get back to a place where trust is seen as a central part of how markets operate – by doing the right thing not because they are forced to, but because they accept it is the right thing to do. That is what is required to restore integrity to the heart of the financial services industry," she said. FX

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