The only constant is change, (and ethical standards)

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The fines have been levied, compliance officers hired, and outside counsel engaged. Has anyone counted the total cost? The FCA has blown their referee's whistle, and the whistle has blown to start the new round of market activity, with a tighter oversight of standards. The banks who have been paying attention to culture, have trained their staff and maintained controls, have fared relatively better. They have certainly picked up business. But is that it, now? Job done?

Of course not: markets are constantly in flux, and we should welcome it. Let me make three important points:

1) Markets are always in transition

There has been a complete change of macro structure within our lifetime. Consider the following: some have been Policy driven, such as the Gold standard/fixed rates movement to free rates, which has facilitated tremendous global growth. Some have been Technology-driven, such as the evolution from the Telex machine, telephone, adoption of on-line systems such as Reuters matching to EBS, and onward to HFT, or Client-driven, from the need for bi-lateral credit but multilateral pricing, consolidation/concentration, focus on (e.g.) TCA.

Others have been innovation-driven: e.g. the creation of CLS, central clearing products & services for PB and NDF, while relatively few have been driven by regulation: Dodd-Frank, SEFs/OTFs, conduct reviews. In fact, for a long time the regulators left the FX market alone, because they trusted it.

2) A healthy market requires more participants, not fewer

Genuine liquidity is beneficial, and brings pricing benefit to all participants. All forms of well-behaved market participation can help, as liquidity from any (respectable) player is helpful.

We encourage easy-access, low threshold to entry for buy-side (real economy) and we do our best to make client-on-boarding processes simple. Multiple venues are additive, including a wide variety of predominantly OTC mechanisms, and exchanges.

Client choice is key. Build something effective and clients will use it, build something awful, and you have wasted that investment and your client's IT spend. For this reason, too, mandating change to any one venue or model (choice-reducing) is unhelpful. What if Swiss clients don't want to trade 95% of their business through automated systems?

Well-intentioned recent FINMA statement may have unintended consequences, so its down to the Swiss firms to build something beautiful. Or for the ROW firms to clean up with the ex-Swiss clients over the phone. Concentration of market into small number of large providers is unhealthy. New entrants and local/regional players are additive. A failure to remember this has consequences.

3) Regulation, including self-regulation, needs to be effective

Bad regulation needs to be removed. Let's be sure we are clear: while the market is largely self-regulated, important rules have always applied to FX.

Certain activities (collusion, MNPI sharing, market manipulation, etc.) have long been wrong, and should always have part of education and enforcement.

WHERE DID ALL GO WRONG?

We argue that the vast majority of market participants obeyed the rules, and played by the standards long ago established (largely, I would argue, by the 60-year-old Association Cambiste International) So, who failed to teach and supervise the "bad apples"? Where did that all go wrong? Remember what you learned as a teenager: To be left alone to act responsibly, one has to act responsibly.

So having an effective regulatory environment through a global code of conduct must follow three elements. Firstly, the standards must be set (creation). Secondly, education must be available, and mandatory, and universally applied (dissemination).

Finally, to be efficient, controls must be in place, and functioning (enforcement). That's it. Ce n'est pas compliqué! However, accountability is real, both individual and supervisory. A failure to remember this has consequences.

What's shocking is how easily a few forgot the long-embedded but also how easily the problem can be remedied. Forget fragmenting the market further by region, or setting your company at risk by enforcing standards that don't match the industry norms.

CONCLUSION

Do clients want to deal with a firm with up to date technology is up-to-date, who provide part of the fabric of choice, and who they can trust? Of course they do. May nobody have to blow the whistle on you ever again. So the market must be able to evolve and to drive its own innovation to.

We need to welcome new clients, new forms of trading, a low-barrier to client entry. We need to control our own agenda. To do that, we need the regulators to want to leave us alone.

We need regulators to want to remove bad bits of legislation. Let's help them do that. Join the Code. Use the Code. Teach the Code, and Test the Code.

We'll charge you, but when you realise the benefits, it'll feel like it's free.