

THE CHAIRMAN

20 March 2015

Mr Hirochika Iwadare  
Chairman  
Tokyo Foreign Exchange Market Committee

By email

### **Implementation of FSB recommendations for FX benchmark reforms**

Dear Mr Iwadare

As you are aware, in September 2014 the FSB published a set of recommendations for reforms to FX benchmarks and associated market activity.<sup>1</sup> This report is a key part of the FSB's continuing efforts to promote higher standards of conduct in global financial markets.

I am writing to ask the assistance of the Tokyo Foreign Exchange Market Committee in monitoring market participants' progress in implementing these recommendations. Specifically, I would be grateful if the Tokyo Foreign Exchange Market Committee could report on progress on recommendations 6 to 13 from the FSB's September 2014 report:

- further steps undertaken by industry to develop independent netting and execution facilities for transacting fix orders;
- steps taken by market participants to price fixing transactions in a manner that is transparent and is consistent with the risk borne in accepting such transactions;
- steps taken by banks to establish and enforce their internal guidelines and procedures for collecting and executing fixing orders including separate processes for handling such orders;
- steps taken to ensure information is not shared among market-makers about their trading positions beyond that necessary for a transaction
- steps taken by market-makers to ensure private information is not passed to clients or other counterparties that might enable those counterparties to anticipate the flows of other clients or counterparties, including around the fix;

---

<sup>1</sup> Financial Stability Board, *Foreign Exchange Benchmarks: Final Report*, 30 September 2014; available at: [http://www.financialstabilityboard.org/wp-content/uploads/r\\_140930.pdf](http://www.financialstabilityboard.org/wp-content/uploads/r_140930.pdf)

- steps taken by banks to establish and enforce their internal systems and controls to address potential conflicts of interest arising from managing customer flow;
- steps taken to adopt codes of conduct that describe best practices for trading foreign exchange, including detailing more precisely and explicitly the extent to which information sharing between market-makers is or is not allowed, and, where appropriate, that incorporate specific provisions on the execution of foreign exchange transactions including fixing orders; and
- steps taken by market participants to more strongly demonstrate compliance with the codes of the various foreign exchange committees, as well as participants' internal codes of conduct.

I would be grateful if your committee could report the status of its members as at 30 June 2015, and send this report no later than **31 July 2015** to the FSB secretariat ([mark.chambers@bis.org](mailto:mark.chambers@bis.org) and [richard.thorpe@bis.org](mailto:richard.thorpe@bis.org)). Please contact these FSB secretariat members should you have any queries regarding this request. I am also sending a similar request to other FX committees.

Guy Debelle, chair of the FSB's FX Benchmarks Working Group, will lead work in collating committees' responses. The FSB will then publish an assessment of progress in implementing these recommendations ahead of the G20 Leaders' Summit in November 2015.

I thank you in advance for your cooperation in this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Carney', with a long horizontal flourish extending to the right.

Mark Carney

CC: Hirotaka Inoue, Bank of Japan  
Guy Debelle, Chair of FSB FX Benchmarks Working Group  
Assistant Governor (Financial Markets), Reserve Bank of Australia