FICC Standards Board (FMSB) issues new Standard on Secondary Market Trading Error Compensation

London, 20 March 2018 - The FICC Markets Standards Board ("FMSB") today publishes its Transparency Draft Standard on *Secondary Market Trading Error Compensation*.

The Standard deals with the issues concerning how compensation should be paid following a trading error. It sets out that compensation can be paid in the following ways:

- By direct payment to the compensated party's account
- By reducing or increasing net brokerage
- By another means which does not create a false market in, or a misleading impression as to the value or liquidity of a financial instrument

The Standard makes clear that methods of compensation such as wash trades should not be used (a wash trade is one where a purchase and sale of the same financial instrument occurs with different financial terms in order to pay compensation). These transactions can create a misleading impression regarding volume or price in the market and should be avoided.

It also details that firms should have policies and procedures in place for compensation payments.

FMSB members and other interested parties are invited to comment on the proposed Standard before it is finalised by the FMSB. This consultation will run until 20 June 2018 with the final Standard expected to be published shortly thereafter.

This is the fifth Standard to have been published by the FMSB since it was set up in 2015 in response to the Fair and Effective Markets Review in the UK with a mandate to issue Standards designed to improve conduct and raise standards in the wholesale Fixed Income, Commodity and Currency markets.

All Standards and materials published by FMSB are available at www.fmsb.com.

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Notes to Editors

1) The Fixed Income, Currency and Commodities ("FICC") Markets Standards Board ("FMSB") is an independent body set up by market practitioners to improve standards of conduct in wholesale FICC markets. It aims to bring transparency to grey areas in the wholesale FICC markets by identifying emerging vulnerabilities, clarifying and documenting practice and agreeing standards to improve conduct and market behaviour. Ensuring that wholesale FICC markets are transparent, fair and effective is at the heart of the FMSB's mission.

2) Setting up the FMSB was one of the main recommendations to emerge from the Fair and Effective Markets Review ("FEMR"), which was conducted by HM Treasury, the Bank of England and the Financial Conduct Authority.

3) The FMSB has a Board drawn from senior executives from across wholesale markets, from corporate clients, asset managers, sell side participants and intermediaries and infrastructure providers such as exchanges and custodians. Reporting to the Standards Board are standing sub-committees addressing Market Practices, Codes & Standards Convergence and Conduct & Ethics. The Market Practices sub-committees are split into 4 asset-class specific committees. There is also an Advisory Council representing the interests of member firms.

4) The FMSB's members bring together sell-side investment banks, buyside asset managers, market infrastructure providers and exchanges, custodians and users of the market such as corporates. This constitution is unique. The members firms are:

- Allianz Global Investors
- ANZ
- Bank of America Merrill Lynch
- Bank of New York Mellon
- Barclays
- BHP
- BlackRock
- Bloomberg
- BNP Paribas
- BP
- Citadel Securities
- Citigroup Global Markets Limited
- Crédit Agricole CIB
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- J.P. Morgan
- Legal & General Investment Management
- Linklaters (Legal Advisor)
- Lloyds Banking Group
- London Stock Exchange Group
- M&G Investments
- MarketAxess
- Morgan Stanley
- National Australia Bank
- NEX

- Nomura
- RBS
- Rio Tinto
- Royal Bank of Canada
- Royal Dutch Shell
- Royal Mail Group
- Société Générale
- Standard Chartered
- Standard Life Aberdeen
- State Street
- Thomson Reuters
- TP ICAP
- Tradeweb
- UBS
- Vodafone
- XTX Markets