

FMSB Annual Report sets out new approach for dealing with abuse in wholesale markets

20 September 2017

The FICC Markets Standard Board (FMSB) has today issued its 2017 Annual Report setting out the progress it has made to enhance standards of behaviour in the wholesale Fixed Income, Currencies and Commodities (“FICC”) markets.

FMSB was established in 2015 following the recommendations of the Fair and Effective Markets Review which was conducted by the Bank of England, HM Treasury and the Financial Conduct Authority.

FMSB has achieved significant momentum and has received strong support from market participants and public authorities. FMSB membership now represents all sectors and users of global FICC markets and accounts for over 80% of sell side wholesale FICC market activity.

Mark Yallop, Chairman of FMSB said: *“In the past 12 months we have made significant progress in our central aim: to raise standards of conduct in the wholesale financial markets and improve outcomes for market participants by making them more transparent, fair and effective. Everything we have seen and done so far has strengthened our conviction about the need for FMSB and the critical role that it has been created to perform.”*

This is the first time that such a broad-based, private-sector approach has been undertaken whereby users of the market such as pension funds, corporations, insurance funds and asset managers work together with banks, trading venues and market makers to develop Standards and Statements of Good Practice.

Among the supporters of this initiative, **Mark Carney, Governor of the Bank of England**, commented in the Annual Report: *“Codes and Standards developed by the market for the market lie at the heart of efforts to build efficient, resilient, robust markets and to improve governance and firm culture. Markets are a powerful force for the common good and that is why the FICC Markets Standards Board’s work to establish readily understood, widely followed Standards for global wholesale markets is so important.”*

The FMSB Annual Report sets out the benefits of adopting this new approach of creating Standards which will balance the different interests of market users and market makers, and help to restore market discipline and public trust in financial markets.

Andrew Bailey, Chief Executive Officer of the Financial Conduct Authority said: *“Good culture and trust go hand in hand. And trust is fundamentally about the honesty and veracity of commitments and the reliability of future promises to your customers, investors, creditors and the public authorities. By codifying agreed Standards that set out these commitments and are accepted by all its Members, FMSB is building an essential foundation for re-establishing public trust in markets again. I am a strong supporter of their work and am very pleased to see the progress made in 2016/17.”*

In the period of this Annual Report, FMSB has published three Standards and two Statements of Good Practice. All Member firms at 31 July 2017 have provided Statements of Commitment in relation to Standards finalised in 2016.

Since the date of the Annual Report, two additional Statements of Good Practice have been published. FMSB anticipates publishing several further Standards and Statements of Good Practice in 2017, building upon the body of guidance to which Member firms commit.

The full document is available to view here <http://fmsb.com/our-publications/#1>

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Notes to Editors:

- 1) The 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 documenting existing 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 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 and reported in June 2015. The FEMR was launched in June 2014 to reinforce confidence in wholesale Fixed Income, Currency and Commodities markets in the wake of the serious misconduct seen in recent years.
- 3) FMSB has a high-level Standards Board drawn from senior executives from across wholesale markets, from corporate clients, other market users such as asset managers and asset owners, 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. A full list of individuals can be found in 5) and 6) below
- 4) FMSB’s 44 members and 5 associate members bring together sell-side investment banks, buy-side asset managers, exchanges, custodians and users of the market such as corporates.

FMSB’s 44 members are: Aberdeen Asset Management, Allianz Global Investors, Bank of America Merrill Lynch, Barclays, BlackRock, Bloomberg, BHP Billiton, BNP Paribas, BNY Mellon, BP, Citadel Securities, Citigroup Global Markets Limited, Crédit Agricole CIB, Credit Suisse, Deutsche Bank, Deutsche Börse, Goldman Sachs, HSBC, JP Morgan, L&G Investment Management, Linklaters (Legal Advisor), Lloyds Banking Group, LSE Group, M&G Investments, Morgan Stanley, National Australia Bank, NEX, Nomura, PGGM, RBS, Rio Tinto, Royal Bank of Canada, Royal Dutch Shell, Royal Mail Group, Société Générale, Standard Chartered, Standard Life Investments, State Street, Thomson Reuters, TP ICAP, Tradeweb, UBS, Vodafone and XTX Markets.

FMSB also has five Associate Members: the Association of Corporate Treasurers, the Banking Standards Board, the Standards Board for Alternative Investments, KPMG and Oliver Wyman.