

## **FMSB Two Years on from the Fair and Effective Markets Review**

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### **Opening Remarks by Mark Yallop**

Good Afternoon

Welcome to the first conference to celebrate FMSBs work. It will not be the last.

Just over two years ago the Fair and Effective Markets Review was published. The Review was a remarkable document, tracing the problems in LIBOR and FX, and also the deficiencies in other market practices, and the lack of firm and market discipline, that had been evident for years before.

But as well as exposing the many problems they saw, UK regulators also took a bold and imaginative step - one that must have caused some nervousness in their ranks.

Despite the damage, both financial and reputational, caused by market misconduct, regulators proposed to give wholesale market participants responsibility for identifying and remedying the problems in wholesale fixed income markets, and challenged them to deliver fairer and more effective markets for market users.

In that moment our regulators created an extraordinary opportunity for wholesale FICC markets.

Instead of being told what to think and how to act in every situation, market participants could show initiative, take responsibility and determine their future.

I hope that the FICC Markets Standards Board has grasped the opportunity presented with the vigour that the Bank of England, the FCA and HMT expected.

Certainly, a lot has been achieved: growing our membership, debating and publishing Standards and good practice guidelines, and enlisting support from overseas regulators and Central Banks. It is particularly pleasing that we have representatives of the NY Fed, Bank of Italy, FINMA, AMF, MAS and Bundesbank here today. Welcome to you all.

We are a unique body, globally. By deliberate choice, we represent all sides of the wholesale markets - borrowers and investors, market makers and price takers, trading platforms and exchanges, brokers and CCPs.

We are setting global standards, using the extraordinary expertise that sits here in London, the largest, most systemic trading centre in the world.

If any of you have not yet read our Annual Report, which sets out who we are and how we do what we do then I commend this excellent document, a copy of which you will find on your chair, to you.

None of this would have been possible without the leadership provided by many people in this room - you, our Members - and by Gerry Harvey and our very modestly sized Secretariat. More than 200 executives at Member firms are actively working on Standards production. I am very grateful for all your individual and collective contributions, without which we literally could not function.

Today is an opportunity to take stock of what has been achieved; but also to talk about challenges for 2018 and beyond and to hear from three of our strongest supporters - Mark Carney, Andrew Bailey and Sir Dave Ramsden.

In the past 18 months, we have published 8 documents and we have a further 7 in production and ready for publication shortly. You will hear more about these this afternoon.

We have also completed a very important piece of historical work: a review of misconduct and malpractice in wholesale markets over the past two centuries in 20 jurisdictions worldwide. This study, which you will also hear more about this afternoon, and which we will be publishing in the next couple of weeks, is not just an academic review. It reveals some very important - perhaps startling - insights

- There are in reality a relatively few genuinely different, “root” causes of malpractice in markets; about 20-25 of them.
- These same practices mutate and repeat again and again over time.
- Laws and formal regulation have had very limited success in stopping them.

These conclusions are a cause for optimism, not despair:

- There are a limited number of fixed problems to grasp, not a morass of thousands of malevolent practices. We are dealing with a manageable problem, not something scaled beyond comprehension.

But regulation won't fix the problem pre-emptively, for a whole variety of reasons that we may talk about later. Other forms of “rules” or “guidance” must be developed and deployed.

This is precisely what the creators of the FMSB anticipated, when they advocated setting up a body that would create granular, practical guidance to fill the gaps where regulation cannot reach and codify best market practice to deliver fair and effective markets for users.

I hope that in 2018 and beyond we can start to think more about the potential future problems in markets tomorrow, not just fixing the past and dealing with today's issues.

We will talk more about what these emerging issues are in Panel 2 this afternoon. But in my view the two biggest themes we need to worry about for the future are:

- The risks to market fairness and effectiveness posed by potential future regulatory fragmentation; and
- The risks to market users created by the unintended consequences of electronic trading in FICC markets.

Ladies and gentlemen, I know you will enjoy this afternoon. We have some fabulous speakers and extremely powerful panels. Can I make one final request - that when the moment comes and you are able to ask questions of panels, of Mark or of Andrew: please don't hold back!

Thank you.