



FICC MARKETS  
STANDARDS BOARD

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## FICC Markets Standards Board

### Information & Confidentiality

for the Fixed Income and Commodities markets

### Statement of Good Practice

Transparency Draft

June 2018

# I Introduction

## 1. The FICC Markets Standards Board

The FICC Markets Standards Board (“FMSB”) was established 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 (“FICC”) markets. The FMSB will work to build up a body of Standards and Statements of Good Practice (“SGPs” and each an “SGP”) over time, prioritising those areas where its members consider there is a lack of clarity in the standards of behaviour expected of market participants, or a lack of understanding of the issues relevant to a product or transaction type, or evidence of poor conduct.

## 2. Applicability of FMSB Statements of Good Practice

FMSB SGPs are issued by the FMSB from time to time. SGPs do not form part of the FMSB Standards and they are not subject to FMSB’s adherence framework. Rather they reflect FMSB’s view of what constitutes good or best practice in the areas covered by the SGP in question. FMSB members are expected, and other firms are invited, to consider their own practices in light of the SGP and make any changes to such practices that they deem to be appropriate. Failing to do so will not, however, create any presumption or implication that a firm has failed to meet its regulatory or other obligations or that it has been negligent.

Full details of FMSB member firms are available at <http://www.fmsb.com>. SGPs will be shared with non-member firms and their associations, who are encouraged to consider them. Information on SGPs will be made available to users of the wholesale FICC markets (e.g. corporates and end investors) so that they may be made aware of their existence and FMSB expectations of market conduct.

The FMSB will, as part of its normal course of business, periodically review the applicability of its published SGPs to ensure they are relevant and up to date for market conditions.

## 3. Relationship with law and regulation

FMSB Standards and SGPs do not impose legal or regulatory obligations on FMSB members, nor do they take the place of regulation. In the event of any inconsistency, applicable law, rules and regulation will prevail. In developing Standards and SGPs, certain relevant regulators will in many cases have commented on their drafting, alongside FMSB member firms and other bodies, such that the Standards and SGPs once finalized and published are intended to represent an authoritative statement of good practices and processes in the markets to which they are expressed to relate.

Disclosure of information as set out in this SGP should at all times be consistent with market participants’ regulatory and competition law obligations and the Good Practice Statements contained herein should be read in this context. Market participants should be aware that the laws and regulations relating to the issues addressed by this SGP vary from jurisdiction to jurisdiction, and the Good Practice Statements should always be read subject to the relevant laws for the jurisdiction(s) in which information is to be shared, including laws relating to bank secrecy and data protection.

#### 4. Relationship with other codes

A number of codes already exist in relation to certain FICC markets. There will be some overlap between the work of the FMSB and some other bodies and the FMSB will seek to ensure it adopts a consistent approach in cases of overlap wherever possible and will seek to avoid issuing a Standard or SGP where the subject matter is already covered adequately by existing regulation or a code issued by another body. It may, however, draw attention to members of an existing Code and request that members act in a manner consistent with it, once appropriate steps have been taken to confirm its applicability.

## II Information & Confidentiality

### Introduction

The question of what information may be shared between participants in the Fixed Income and Commodities markets is complex. This SGP seeks to bring some clarity to certain questions relating to the sharing of information within those markets.

This SGP refers to participants in the Fixed Income and Commodities markets as “market participants” or “firms”, which include dealers, who provide liquidity to Clients and make markets in relevant instruments and generally act as principal (“Dealers”), brokers, who assist Clients in accessing liquidity and may act as principal or agent (“Brokers”), and clients who will typically be fund managers, or end users or investors, with whom Dealers and Brokers deal (“Clients”).

Information that is confidential to Clients should not be shared, save to the extent it is necessary to do so in order to carry out a client order or instruction or in the other circumstances discussed in this SGP. Equally any sharing of information between market participants can breach anti-trust rules if the object or effect of that sharing of information is anti-competitive or collusive. On the other hand, some sharing of information is necessary for markets to operate at all and sharing of Market Colour (as defined below) can be helpful for Clients and make markets operate more efficiently.

Recent conduct events have drawn attention to the risks associated with the sharing of information between market participants. There can be uncertainty amongst market participants as to what types of information can be shared. Accordingly, market participants have become concerned about those risks.

This SGP has been drafted for market participants active in European Fixed Income and Commodities markets and is not intended to apply to the FX markets, which is covered by the recently published FX Global Code, or to the precious metals markets, which is covered by the Precious Metals Code. The FX Global Code and the Precious Metals Code each include a number of principles, guidelines and examples relevant to communications in the context of FX and precious metals markets respectively and this SGP seeks to build on that work for the Fixed Income and Commodities markets. However, market participants may, if they wish, use it in relation to other markets.

This SGP does not address conduct relating to the handling of inside information or the production or distribution of research. Nor does it address the transparency and sharing of information in the secondary loan market. There are also rules in certain jurisdictions that apply where a market participant provides Clients with investment advice, a “personal recommendation” and/or an “investment recommendation”. This SGP does not attempt to codify or explain those requirements but does include some general principles and examples designed to assist firms in avoiding inadvertently breaching those requirements whilst providing Market Colour.

### III Good Practice Statements and Commentary

This SGP sets out a number of Good Practice Statements relevant to information and confidentiality in the Fixed Income and Commodities markets together with commentary explaining their rationale.

#### 1. Information Dissemination

##### 1.1 Confidential Information identification and control

*Good Practice Statement 1: Management of information. Market participants should clearly and effectively identify and appropriately limit access to Confidential Information.*

Dealers, Brokers and Clients regulated in the financial services sector, such as fund managers, should be aware of what is, and is not, Confidential Information (defined below) and have policies and procedures reasonably designed to make their staff aware of and understand the importance of client confidentiality.

In this SGP<sup>1</sup> “Confidential Information” includes any information not in the public domain received or created by a market participant, and in particular:

- (i) Trading information, which can take various forms, including information relating to the past, present and future trading activity (including price or quantity) or positions of the market participant itself or of its Clients, as well as related information that is sensitive and is received or produced in the course of such activity. Examples include but are not limited to: details of a market participant’s order book; other market participants’ bids, offers and axes; spread matrices provided by market participants to their Clients; orders for benchmark fixes; and details of any pending, rejected or cancelled orders or trade requests;
- (ii) Client information, including settlement and banking details and contact details; and
- (iii) Any information which a market participant has agreed to keep confidential, such as by way of a written non-disclosure or similar confidentiality agreement.

Where a Client has consented to the disclosure of Confidential Information, such information ceases to be Confidential Information for the purposes of this SGP, subject to any restrictions or conditions included in such Client’s consent.

It is not necessary, however, for written Client Confidential Information to be marked “confidential” in order to be “identified” as “Confidential Information” for the purpose of this Good Practice Statement. Nothing in this SGP is intended to restrict the ability of a market participant to disclose Confidential Information where such disclosure is required by applicable law.

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<sup>1</sup> Different definitions of ‘confidential information’ may apply in other contexts.

## 1.2 Information Integrity

*Good Practice Statement 2: Clear communications. Market Participants should communicate in a manner that is clear, accurate, professional and not misleading.*

Communications should be capable of being easily understood by their intended recipient. Therefore, market participants should use terminology and language that is appropriate to the audience and should avoid using ambiguous terms.

To support the accuracy and integrity of information, personnel working for market participants should:

- (i) attribute information derived from a third party to that third party (e.g., a news service);
- (ii) identify opinions clearly as opinions;
- (iii) not communicate false information;
- (iv) exercise judgement when discussing rumours that may be driving price movements, identify rumours as rumours, and not spread or start rumours with the intention of moving markets or deceiving other market participants;
- (v) not provide misleading information in order to protect Confidential Information - for example, when executing partial orders. Accordingly, market participants could, if asked, decline to disclose whether their request to transact is for the full amount rather than inaccurately suggest that it is for the full amount; and
- (vi) consider the reliability of the information source before communicating to others comments based upon that information.

## 2. Market Colour

### 2.1 Market Colour and maintaining Client confidentiality

*Good Practice Statement 3: Market Colour. Market participants should communicate Market Colour appropriately and without compromising Confidential Information. The disclosure of Client Confidential Information to third parties should be avoided.*

In this SGP “Market Colour” means views shared by market participants on the general state of the market, including as to actual or possible developments, news, events, and trends, and anonymised and aggregated flow information.

The timely and appropriate exchange of Market Colour between market participants can contribute to an efficient, open, and transparent market through the exchange of information on the general state of the market, views and anonymised and aggregated flow information.

Market Colour should however only be provided by a member of staff with appropriate knowledge and/or subject to appropriate oversight, including of any relevant market conventions, and expertise of the markets in question and/or as to the matters discussed.

Where Market Colour is derived from aggregated Client Confidential Information, in addition to avoiding disclosing individual Client Confidential Information, market participants should avoid any disclosure that would be contrary to any of the individual Client's interests, except as otherwise disclosed to or agreed with such Client (i.e. the disclosure is made in a manner that enables the market to identify a Client or its Confidential Information).

## 2.2 Sharing information and Market Colour in fragmented markets or those with limited liquidity

It is noted that specific conventions relating to the appropriate dissemination of information and Market Colour can differ in some contexts in a limited number of markets.<sup>2</sup> The underlying reasons for such differences might be because of differentials in liquidity, the number of market participants and/or the ability of individual market participants to impact the price or supply of the underlying asset. For example, in certain contexts in a limited number of markets, a lack of counterparty transparency can detrimentally impact the fair and efficient operation of such market and thereby hinder liquidity. In addition, such markets can be dependent on appropriate sharing of information to ensure a fair and effective price formation. This sharing of information in markets without central counterparty clearing could include the need to seek clarity on credit appetite between participants. Nevertheless, where such conventions involve the sharing of Confidential Information, Clients should consent to such sharing in advance.

## 2.3 Approach to sharing Market Colour

Market Colour can be provided verbally or in written form (including but not limited to morning calls, meetings by conference or web cast, e-mail and instant messaging). The provision of Market Colour relating to high-level (and non-specific) market activity is acceptable when provided in general terms, sufficiently aggregated<sup>3</sup> and anonymised. The provision of Market Colour should not identify, or allow the identification of, a specific Client, except for where there are specific circumstances which permit this (e.g., Client express consent). Therefore:

- (i) **Soliciting Confidential Information.** Market participants should not solicit Confidential Information in the course of providing or receiving Market Colour.
- (ii) **Client Identity.** Market Colour communications should not include specific client names, other mechanisms for communicating a Client's identity or trading patterns externally (for example, code names that implicitly link activity to a specific market participant), or information specific to any individual Client. Clients, client

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<sup>2</sup> This section 2.2. will not be relevant to many market participants because of its limited application.

<sup>3</sup> Where the relevant market activity relates to a single market participant, it is still permissible to provide this information as market colour, but care should be taken to ensure that the market colour does not identify, or allow the identification of, that participant (as illustrated by example 7 in the Appendix).

groups, locations, and strategies should be referred to at a level of generality that does not allow market participants to derive the underlying Confidential Information.

- (iii) **Identity - Type of market activity.** The provision of general Market Colour about the type of market activity (for example, that there is US consumer buying, or that Chinese merchants are buying etc.) is acceptable. However, market participants must note and recognise that information of this type which is not sensitive in one market may identify a participant in another (for example, in certain commodities markets if there is only one very large individual market user in a sector or jurisdiction). The key principle to be observed is that it is not solely the literal language or terminology used, but whether it may reasonably be expected to disclose the identity of the client or other Confidential Information.
- (iv) **Executed Transactions.** Information in relation to executed transactions can be communicated freely only if such information has been made public (e.g., if and when posted on an exchange), save where sufficiently aggregated and anonymised, as set out above. Timing is key: once the information has been reported it is no longer Confidential Information. Releasing that information even very shortly prior to its being reported would not be acceptable. Any discussions about specific transactions should therefore be limited to the information in the public domain.
- (v) **Own Trades and Positions.** Subject to their own policies and procedures, market participants may actively choose to share information relating to their own positions and/or trading activity with other market participants so long as that information does not reveal any other party's Confidential Information and the information is not shared in order to disrupt market functioning or hinder the price discovery process, or in furtherance of other manipulative or collusive practices.
- (vi) **Flows and Ranges.** Flows should be disclosed only by price range, and not by exact prices or rates relating to a single Client or flow and volumes should be referred to in general terms (other than for publicly reported trading activity).
- (vii) **Option Interest.** Option interest not publicly reported should only be discussed in terms of broadly observed structures and thematic interest (other than for publicly reported trades and strikes).
- (viii) **Time of Execution.** References to the time of execution should be general, except where this trading information is broadly observable e.g. "this morning we saw real money activity."
- (ix) **Status of Orders.** Market participants should take care when providing information to Clients about the status of orders (including aggregated and anonymised fixing orders) to protect the interest of other market participants to whom the information relates (this is particularly true when there are multiple orders at the same level or in close proximity to one another). For the avoidance of doubt, the disclosure of information relating to unexecuted Client orders is not acceptable, save where sufficiently aggregated and anonymised as set out above.

## 2.4 Distinguishing between Market Colour and advice

Firms providing Market Colour in wholesale markets will generally not intend to provide advice or create advisory relationships with their Clients. .

The following principles should generally apply where Dealers and Brokers share Market Colour with each other and with their Clients on a bilateral basis:

- (i) where Dealers and Brokers speak with each other, they will generally not be providing recommendations or advice to the other - their relationship will be one of market counterparties and there should be no expectation or implication of reliance on each other;
- (ii) where Dealers and Brokers speak with their Clients, the sophistication of the Client, the nature of the relationship, the documentation in place between them and the context of the conversation will all be relevant - we seek to illustrate some of those issues in the examples below; and
- (iii) where commentary is limited to the communication of facts, that should not constitute an express or implicit recommendation or advice to do anything. Where opinions are expressed, whether or not that constitutes the provision of advice or an implicit recommendation will depend upon all the circumstances, as illustrated in certain of the examples below.

The below examples seek to help provide some guiding principles to distinguish between expressions of opinions and recommendations and advice. As noted in the introduction to Section II of this SGP above, there are specific laws and regulations governing recommendations and advice in many jurisdictions, which are not identical, and accordingly the following examples illustrate only general principles relevant to this question. The specific context of a communication is always a relevant factor to consider and some of the examples below, if expressed in a different context, may result in a different conclusion being drawn.

**Examples:**

### **Provision of Factual information only**

#### ***Example 1***

Party A: "*There is increased political volatility in Europe - I am looking at gold - how's the market?*"

Party B: "Better and well supported - Comex April contracts recent range 1231.30 - 1242.50: range today: opened 1235.20 - now 1240.90. Volume 100k."

The merits of buying have not been discussed. Only factual information has been provided and there should be no question that this comment amounts to advice or a recommendation.

### *Example 2*

Writing an e-mail to an individual client, as follows:

“LME Copper futures opened at 1239.40 and has traded up to 1243.10. The active April 17 contracts have ranged between 1231.30 - 1245.50 in the last week: the range today is open 1235.20 - now 1240.90. Volume today 79.8k. There has been middle eastern buying in good size below 40 which accounted for most of the activity on the open (we saw 18k contracts printed at the open and traded up to 39).”

The information is factual only and accordingly should not constitute the provision of advice or a recommendation.

### *Example 3*

Party A: “What price will you give me for a fixed/floating £ swap, expiry April 21?”

Party B: “101.1/101.5, if cleared.”

Merely providing details of pricing in response to a request for an OTC trade does not constitute a recommendation to trade.

### **Provision of commentary designed for the Client in question**

### *Example 4*

Party A: “There is increased political volatility in Europe - I am looking at gold - how’s the market?”

Party B: “Comex up 6.20 at 1240.40 - the April contracts have more depth: recent range 1231.30 - 1242.50: opened 1235.20 - now 1240.88/92. Volume 100k - it has further to go today and should end the week at the higher end of the range so 92 offer in 20 there now looks a good level. I know you have interest in gaining exposure - this looks like good timing for you.”

The merits of buying have been discussed and an investment/investment strategy has been suggested and it is clear Party B is aware of Party A’s personal circumstances. This therefore is likely a recommendation.

### **Expressions of opinion**

### *Example 5*

Party A: “There is increased political volatility in Europe - I am looking at gold - how’s the market?”

Party B: “Better and well supported - Comex April contracts recent range 1231.30 - 1242.50: range today: opened 1235.20 - now 1240.90. Volume 100k. It has further to go today and should end the week at the higher end of the range.”

Party B has provided an opinion as to prospective price movements in the context of a query from Party A. He has not presented any recommendation as being suitable for Party A, nor apparently had regard to Party A's personal circumstances and, as a result, this should not constitute a recommendation. Whether a mere expression of opinion might constitute advice will depend upon all the circumstances, including the factors noted above. However, where Party B is another Dealer or Broker, or is a sophisticated Client, and the documentation in place between Party A and Party B makes clear they do not have an advisory relationship, it should normally be the case that the mere expression of opinion such as in this example would not amount to the provision of advice or a recommendation by Party B to Party A.

#### *Example 6*

Similarly, statements made between Dealers and Brokers about their own intentions or opinions on the market should not create an advisory relationship or responsibilities. So, for example, phrases such as:

*"In my opinion front contract Short Sterling is at a top so I will sell";*

*"In my view, front contract Short Sterling is likely to fall so I am a seller";*

*"In my estimation Short Sterling is oversold so I might look to buy";* or

*"we believe Short Sterling is oversold so we may buy"*

in this context, such statements are not advice or recommendations as to what the other should do - they are indications as to what the holder of that opinion or view is doing or might do.

#### *Example 7*

Those statements should be contrasted with the following statements made by a Dealer or Broker to a Client:

*"In my opinion 5 year swaps are at the top so you should sell";*

*"In my view, 5 years are likely to fall so you should be a seller";*

*"In my estimation Bunds are oversold so if I were you I would look to buy";* or

*"We believe Bunds are oversold so you could buy".*

Those statements might, depending on the context and the nature of the Client relationship, amount to the provision of advice or a recommendation due to the specificity and directness of the comment which implies a knowledge of the Client's personal circumstances.

### 3. Sharing and use of Confidential Information within firms

*Good Practice Statement 4: Information Sharing within a Firm. Market participants should not disclose Confidential Information within their firms except to those persons who have a valid reason for receiving such information.*

#### 3.1 Use of Confidential Information

Confidential Information obtained from a Client, prospective Client, or other third party is to be used only for the specific purpose for which it was given, except as provided in this section 3 or otherwise as agreed with the Client. Information provided by a Client in the course of business should not be used to the detriment of that Client, except as otherwise disclosed to or agreed with the Client.

#### 3.2 Firm Information

Information is provided to the market participant, not to an individual employee within it. Therefore, information is, subject to complying with applicable law (such as in relation to personal data), capable of being shared within a market participant as described in this section 3.

Information should only be shared within a market participant where such sharing is permissible according to any specific Client requirements or instructions and the market participant's own policies, including where relevant, those relating to information sharing barriers (i.e. Chinese Walls) and where there is a legitimate reason to do so. For example:

- (i) to personnel responsible for the execution of the transaction;
- (ii) for the purposes of, inter-alia, order flow and liquidity provision and credit risk management;
- (iii) to the extent that a client transaction requires the sharing of information with, and engagement of, multiple business units and functions within a firm (including operational support functions);
- (iv) senior management and senior traders (e.g., Heads of Trading) may require access to a broad range of relevant information in order to manage risk effectively;
- (v) Traders may need to know information relevant to the operations of their business unit in order to provide continuity of client coverage and execution and for the purposes of effective risk management; and/or
- (vi) to meet risk management, legal and compliance needs.

## 4. Sharing Confidential Information externally

*Good Practice Statement 5: Sharing Information between Firms. Firms should exercise a high degree of care and diligence when sharing information with other market participants.*

### 4.1 External Dissemination - competition and anti-trust concerns

Applicable law in many jurisdictions prohibits agreements, arrangements and concerted business practices which may distort competition or cause anti-trust concerns. The sharing of information between market participants may raise these concerns. As such, market participants should take account of such issues prior to sharing information between themselves. The exchange of information with another Dealer or Broker should not generally have the purpose or effect of identifying joint trading needs for which traders of such Dealers or Brokers would have an interest to act together, unless there is an overriding efficiency or other objective justification and only to the extent permitted by applicable law. Where traders are competitors, they must act and behave independently in their respective markets.

### 4.2 Sharing Client Confidential information with third parties

*Good Practice Statement 6: Confidentiality with external parties. Client Confidential Information should not be shared with third parties unless the Client agrees otherwise, or to the extent required to give effect to client instructions and to execute and complete any required transaction or strategy (including processing, clearing, novating, or settling a transaction) or a legal or regulatory reason.*

In addition to competition law concerns, regulations and general duties of confidentiality and data privacy mean that Confidential Information should not generally be shared externally. The following paragraphs provide further guidance on that principle, noting that in some jurisdictions some of the exemptions described may not be available:

- (i) **General.** Personnel should not disclose Confidential Information to individuals that do not work for the market participant in question other than in certain circumstances. These may include, but are not limited to: (a) where necessary for executing, processing, clearing, novating or settling a transaction (b) where the Client has consented; (c) where required by applicable law or as otherwise requested by a relevant regulatory or public authority; (d) as required by a central bank acting within its authority; and (e) to advisors or consultants on the condition that they protect such Confidential Information in the same manner as the market participant who is disclosing such Confidential Information to them.
- (ii) **Client identity.** Where it is market convention for client names to be shared, for example in certain credit sensitive and commodities markets, prior Client consent should be obtained.

- (iii) **Recognition of Information Sharing.** It is recognised that not all communication between market participants takes place exclusively for the purpose of placing orders or the execution of transactions. Examples include price checking, counterparty credit checking, enquiries as to depth of market and as to trading ranges, the sharing of public information concerning potential strategies etc. However, any such communication must not involve the sharing of Client Confidential Information.
- (iv) **Client Activity.**
- a. **Pending Orders.** Client order information is an example of Confidential Information. Client order information should not be disclosed to any external third party without the Client's prior consent, save to the extent required to execute the transaction. Client order information should not be used by a firm to front run client orders and should not be used to front run a client order with another client order. For the avoidance of doubt, Client limit orders and stop loss orders constitute client order information.
  - b. **Strategies.** It is recognised that certain types of transactions can involve substantive negotiation and require significant market analysis and investigation before orders are generated and the strategy can move to execution. A strategy may involve a series of individual transactions prior to its conclusion. Information relating to a Client's specific objectives and the strategy itself should be kept confidential and should not be disclosed except to the extent required to give effect to Client instructions or resulting transactions or with Client consent. Once any such strategy has been concluded and the associated transactions reported and published on a reporting facility, the parties to the transaction(s), unless otherwise agreed between them, are free to communicate the public information relating to the strategy (but not the identity of the Client (assuming that has not been made public) or any Confidential Information relating to the strategy or its implementation) internally and externally and utilise such strategy elsewhere (such as with other Clients). This permits firms to provide broad and enhanced Client benefit, permits Clients to be made aware of, and benefit from, potential market and risk management opportunities, and contributes to market liquidity.
  - c. **Consent to Disclosure.** Where a market participant consents to the disclosure of information then the recipient of that consent may rely upon that consent, subject to applicable law.

### 4.3 Public Information and Observable Events

Market participants may act upon and communicate freely regarding public information and publicly observable events.

*Example:* where a market participant has representatives in source who observe a frost which may affect supplies of coffee, that information may be communicated freely and acted upon by the firm.

*Example:* where there is press speculation as to the imposition of sales taxes on sugar based products that information may be communicated freely and acted upon by the firm.

## 5. Communication channels

*Good Practice Statement 7: Communication channels. The Good Practice Statements within this document apply regardless of the form or type of communication medium used.*

Communications can be made through a number of different channels, which of which could be used for improper purposes. The following comments are designed to remind firms of the risks posed by specific types of communication medium, such as multi party chatrooms, and the approach they might wish to take in relation to them:

### 5.1 Communication channel and collusion

Collusive and other inappropriate behaviour can be effected through any communications channel (meetings, telephone, broadcast media (e.g., Skype), group messaging applications, multi party chatrooms etc.). It is the content, context and purpose of the communication that is relevant for conduct purposes and not just the media in question or the composition or the number of participants. The risks pertaining to the use of multi-party communication channels relate primarily to the information communicated; the number and composition of the parties is a relevant consideration.

### 5.2 Participation

In terms of participation, a communication channel through which multiple staff from the same firm communicate with a single client should not of itself be considered inappropriate. There are numerous circumstances in which Clients require to engage with multiple business units and specialisms within firms.

### 5.3 Information in the public domain

- (i) **Differential Standards.** In general terms, where information is in the public domain, providing it has not been made public by a market participant, that market participant is not required to treat the information as Confidential Information.

*Example* Chatrooms exist which carry information which originates from jurisdictions which operate different market conventions and different standards of confidentiality and information control. Where this information is publicly accessible, market participants are free to trade based on it. Where however it is not, such as a private chatroom albeit with many members, then information will not be public.

- (ii) **Risk Management.** Market participants are permitted to trade in order to manage prospective and consequential risks where information comes into their possession and its source is an open access public chatroom or other public source. Market participants should not participate in any form of collusive trading activity based upon such information.

## 5.4 Monitoring

Market participants should communicate with other market participants through approved methods of communication which allow for traceability, auditing, record-keeping and access control. Standards of information security should apply regardless of the specific mode of communication in use. Where possible, market participants should maintain a list of approved modes of communication, particularly when being used to transact or share Market Colour.

## 6. Policies and Procedures, Training

*Good Practice Statement 8: Market participants should consider their own policies and procedures and record keeping arrangements designed to monitor communications in light of this SGP and make any changes to such practices that they deem to be appropriate.*

*Good Practice Statement 9: Firms should consider having policies and procedures reasonably designed to ensure personnel have been trained on the substance of this SGP.*

## APPENDIX: Examples of Good and Inadequate Practice

Note to Users: Although this list of examples covers some of the more frequently encountered situations in which practitioners may need to consider the information they convey to other market participants it should not be interpreted as being a complete list of permitted practice or as being prescriptive for the situations used in the examples. There are many other forms of words that will be equally acceptable or unacceptable.

### Example 1: Discussing market axes without revealing counterparty information

- Inadequate Practice. Asset manager to bank trader: "Bank A has just called me - he has an axe in £50m of XYZ Inc's 5 year US Dollar issue are you seeing anything as well?"
- Good Practice. Bank trader to asset manager: "We have an axe in XYZ Inc's 5 year US Dollar issue. Do you have any interest? Asset manager to trader "Not at present - but I am watching it."

### Example 2: Soliciting Positions

- When considering soliciting, it is necessary to have regard to the specific context of the conversation and the relationship between the parties. If the communication is unsolicited and/or the parties have limited or no past relationship it is more likely that even a broad question could constitute a solicitation, in contrast with parties who have an established relationship and frequent communications, where the same question may less likely be considered a solicitation.
- Inadequate Practice. Hedge fund to trader: "Are you long near month copper?"
- Good Practice. Hedge fund to trader: "What do you think of copper here?"
- Inadequate Practice. A trader has been asked by end user Client A to quote for 500 LME 3m contracts. The trader is near to limit capacity and cannot fill this order immediately. The trader calls another liquidity provider: I am being asked to quote two-way on 500 copper contracts for Client A. Am nearly out of capacity - do you want in?"
- Good Practice. A trader has been asked by end user Client A to quote for 500 LME 3m contracts. The trader is near to limit capacity and cannot fill this order immediately and tells Client A the same. The trader goes on to ask Client A for its consent to another liquidity provider being contacted and Client A's identity and request being disclosed.

### Example 3: Unapproved Disclosure of Client Confidential Information

- Inadequate Practice. A trader has been asked by end user Client A to quote for £100m of a given corporate bond issued by ABC Plc. The trader is near to limit capacity and cannot fill this order immediately. The trader tells Client A that he cannot facilitate the entire order but can check with Liquidity Provider B who may be able to assist. Client A agrees but does not give express consent for its identity to be disclosed. The trader calls Liquidity Provider B: “do you have any interest in ABC ‘23s - Client A are looking for some”
- Good Practice. A trader has been asked by end user Client A to quote for £100m of a given corporate bond issued by ABC Plc. The trader is near to limit capacity and cannot fill this order immediately. The trader tells Client A that he cannot facilitate the entire order but can check with Liquidity Provider B who may be able to assist. Client A agrees but does not give express consent for its identity to be confirmed. The trader calls Liquidity Provider B: “do you have any interest in ABC ‘23s - this is client business.”

### Example 4: Premature release of Confidential Information

- A bank has a policy designating all trade recommendations produced by its sales team as confidential until published and simultaneously made available to all clients.
- Inadequate Practice. sales person to client, before publication - “we have changed our view on JGBs and will be publishing a new bullish view at the close today.”
- Good Practice. sales person to client, after publication - “I am following up on our latest idea - we have changed our view on JGBs and have published a new bullish view today.”

### Example 5: Disclosure of Client Confidential Information,

- Inadequate Practice. A relationship manager attends a meeting with a Client and learns that the Client has changed its view on a Euro curve play and will be unwinding the trade and reallocating that part of its portfolio to USD. The relationship manager does not win the reallocation mandate and calls his traders to inform them of the impending trades.
- Good Practice. A relationship manager attends a meeting with a Client and learns that the Client has changed its view on a Euro curve play and will be unwinding the trade and reallocating that part of its portfolio to USD. The relationship manager does not win the reallocation mandate and does not call his traders to inform them of the impending trades.

#### Example 6: Misleading or Untrue Information

- **Inadequate Practice.** A Client wants to buy £100million on the run 10 year Gilts. He calls a trader and asks for a price in £50million. The trader asks if this is the full amount. The Client answers yes, buys £50million and buys a further £50 million from another trader.
- **Good Practice.** A Client wants to buy £100million on the run 10 year Gilts. He calls a trader and asks for a price in £50 million. The trader asks if this is the full amount. The Client answers no, buys £50m million and buys a further £50 million from another trader.

#### Example 7: Disclosure of Client Name

- **Inadequate Practice.** "We have seen large demand for copper this morning with ABC Inc very active in the market."
- **Good Practice.** "We have seen large demand for copper this morning in the end user sector."