

FMSB publishes Spotlight Review on examining hybrid working risks in FICC markets

30 September 2021 - The FICC Markets Standards Board (FMSB) has today published a Spotlight Review which examines hybrid working risks in FICC markets.

The flexible working practices that have emerged following the onset of the COVID-19 pandemic have given rise to a number of benefits for FICC market participants. There is a desire to harness some of these benefits and allow some flexibility for front office practitioners to carry out their activities from non-office locations longer term. The extent of this flexibility will vary by firm and role.

This Spotlight Review seeks to support the adoption of hybrid working models in FICC markets in a controlled way by identifying key conduct risks associated with such models and considering steps that firms can take to mitigate them.

Regulators have been clear that regulatory obligations have not changed as a result of the shift to hybrid working and this Spotlight Review therefore outlines steps that firms can take to promote equivalent conduct outcomes in a hybrid environment.

The Spotlight Review categorises conduct-related risks associated with hybrid working models into five thematic categories:

1. Cultural change
2. Supervision and control impairments
3. Execution risks
4. Sharing of confidential information
5. Threats to market effectiveness

Within each of these categories, the Spotlight Review examines a number of individual risks, including risk of sub-cultures developing, reduced engagement with training, slower resolution of operating incidents, inappropriate communication channels, loss of connectivity and controlling the flow of confidential information. Potential mitigants are considered in relation to each risk.

Myles McGuinness, CEO of FMSB said: “Hybrid working models have the potential to drive a number of benefits for firms, individuals and the market more widely, including attracting a more diverse pool of people to FICC markets and improving staff wellbeing. We hope that this Spotlight Review supports firms in considering and addressing elevated risks associated with the adoption of hybrid working models.”

The Spotlight Review is available for download here: [fmsb.com](https://www.fmsb.com)

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Notes to Editors

1) The Fixed Income, Currencies and Commodities Markets Standards Board (FMSB) is practitioner led, funded by members and operated by the major participants in wholesale markets to improve standards of conduct in wholesale fixed income, currencies and commodities (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 for all participants is at the heart of FMSB's mission.

FMSB Standards set out Core Principles and accompanying guidance on the most important aspects of practice where ambiguity risks undermining the transparency, fairness, and effectiveness of markets.

FMSB Statements of Good Practice set out clear expectations and guidance on good practice in relation to broader areas of uncertainty in wholesale FICC markets.

FMSB Spotlight Reviews encompass a broad range of publications used by FMSB to illuminate important emerging issues in FICC markets. Drawing on the insight of members and industry experts, they provide a way for FMSB to surface nascent challenges market participants face and may inform topics for future work. Spotlight Reviews will often include references to existing law, regulation and business practices. However, they do not set or define any new precedents or standards of business practice applicable to market participants.

All FMSB publications are available on the FMSB website at fmsb.com/our-publications/.

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

FEMR set FMSB four strategic goals:

- i. **Identifying global market vulnerabilities** through scanning the horizon for emerging business practice risks.
- ii. **Developing best market practice** through the production of standards and other materials that create a common understanding.
- iii. **Driving global adherence** through ensuring standards are comprehensible and practical.
- iv. **Developing consistent approaches to market practices** through identifying gaps and inconsistencies in existing regulatory standards and working with other standards setting bodies.

3) FMSB has a Standards 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. In specialist, focused committees, sub-committees and working groups, industry experts debate issues and develop FMSB Standards and Statements of Good Practice, and undertake Spotlight Reviews that are made available to the global community of FICC market participants and regulatory authorities.

4) FMSB members bring together sell-side investment banks, buy-side asset managers, market infrastructure providers and exchanges, custodians and users of the market such as corporates. This constitution is unique.

The member firms are listed on the FMSB website at fmsb.com/who-we-are/.