

## **Memorandum of Understanding (“MoU”) between (1) FMSB, (2) the Bank of England and (3) the Financial Conduct Authority**

### **Background**

1. The FICC Markets Standards Board (“FMSB”) was established pursuant to the Fair and Effective Markets Review (“FEMR”) led by the Bank of England (the “Bank”), the Financial Conduct Authority (“FCA”) and HM Treasury (“HMT”). FMSB’s core mission is promoting fair and effective wholesale fixed income, currencies and commodities (“FICC”) markets for all participants in those markets.
2. The mission of the Bank and the FCA (together, the “UK Authorities”) is respectively to maintain monetary and financial stability for the good of the people of the United Kingdom and to ensure the regulated markets function well. The Bank is both a participant in wholesale markets - for instance through the implementation of monetary policy, the provision of liquidity facilities and the execution of foreign exchange transactions - and has a broader ongoing interest in ensuring fair and effective wholesale FICC markets. The FCA has an interest in conduct in wholesale FICC markets and the delivery of good outcomes for the users of markets. The UK Authorities liaise closely with HMT in pursuit of the goals identified in the FEMR Final Report published in June 2015<sup>1</sup>. FMSB and the UK Authorities therefore have strong shared interests in maintaining, and where necessary improving, the operation of wholesale FICC markets and this underpins the close strategic and working relationship set out in this memorandum.
3. Nothing in this memorandum supplants or modifies the law that applies to the parties.

### **FMSB Ownership, Purpose, Structure and Governance**

4. FMSB is a privately-owned organisation, funded by its members. It is legally, and in terms of its governance and operations, separate from the UK Authorities.
5. FMSB’s primary objectives are to promote fair and effective global wholesale FICC markets by examining vulnerabilities in these markets (whether due to current, envisaged or emerging future market structures or practices); to produce clear guidance<sup>2</sup> on how business should be conducted to eliminate or mitigate these vulnerabilities; to promulgate this guidance as widely as possible globally and obtain commitments for its use. The UK Authorities are supportive of these primary objectives. FMSB also contributes to work with other bodies internationally to promote global convergence of standards in FICC markets and to promote high standards of training and qualifications for personnel in FICC

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<sup>1</sup> <https://www.bankofengland.co.uk/report/2015/fair-and-effective-markets-review---final-report>

<sup>2</sup> Including Standards and Statements of Good Practice

markets worldwide. FMSB promotes robust and open discussion of market practices and challenges in accordance with all applicable principles and requirements of competition laws.

6. FMSB does not produce any formal regulation, nor does it engage in any lobbying, representation or commercial activities. FMSB materials are designed to guide best market practice in (i) unregulated markets and (ii) regulated markets, in each case where there is need for specific guidance on market practice that is not already contained in the applicable rules and regulations. FMSB will take reasonable steps to avoid inconsistencies in its guidance and materials with existing legislation, rules, regulations and market codes aimed at promoting best practice produced by other bodies in the United Kingdom or overseas. In the United Kingdom that will include, but not be limited to: the FCA, the Prudential Regulation Authority (PRA), Global FX Committee, UK Money Markets Committee, the Joint Money Laundering Steering Group and the London Bullion Market Association (LBMA).
7. FMSB is structured as a company limited by guarantee (FICC Markets Standards Board Limited (“FMSB Ltd”)) with a number of formal committees that oversee aspects of its work: a Standards Board (including associated sub-committee and working groups), an Advisory Council and an Adherence Oversight Committee. The directors of FMSB Ltd and the members of its committees (including associated sub-committees and working groups) are appointed by FMSB governance processes.
8. FMSB prepares and updates annually a three-year rolling strategy (“Strategy”) setting out its goals and an operating plan for achieving this Strategy. This Strategy is discussed by the FMSB Standards Board (and with the UK Authorities, see below) but is formally approved by the FMSB Advisory Council.

#### **Information sharing and involvement of the UK Authorities in FMSB processes**

9. The UK Authorities’ primary interest lies in inputting to the goals and strategic planning for FMSB’s work. With that in mind:
  - a. The FMSB Chair and/or the CEO shall discuss the annual FMSB Strategy refresh with the UK Authorities as it develops in order that the UK Authorities can provide constructive challenge on the Strategy for the benefit of the FMSB Standards Board and Advisory Council.
  - b. The FMSB Chair and/or the CEO shall provide the UK Authorities with a high-level oral update on FMSB Strategy and its progress on the Strategy at, at least, a six-monthly interval.
  - c. The FMSB CEO and/or the Secretariat shall provide the UK Authorities with at least quarterly operational oral updates on progress on the Strategy.

10. The FMSB Secretariat shall provide the UK Authorities with drafts of FMSB's proposed Standards, Statements of Good Practice, and other publications to give UK Authorities an opportunity to provide comments as appropriate. These will be provided to the UK Authorities in accordance with the provisions of the FMSB Limited Working Group Terms of Reference<sup>3</sup>. The provision of drafts to, and the provision of comments by, the UK Authorities does not constitute any implicit or explicit endorsement of the drafts. To the extent that a FMSB publication is endorsed by the UK Authorities this will be made clear on the face of the publication in question. The FMSB Secretariat shall notify the UK Authorities of all its publications, communications and events.
11. The Bank will, in its sole discretion, determine whether, and the extent to which, it will seek to incorporate FMSB Standards and Statements of Good Practice into its own processes and operations where applicable and as appropriate.
12. All FMSB Standards Board and Advisory Council meetings are divided into "Open" and "Closed" sessions. At "Closed" sessions only firms which are contractual members of FMSB (and other firm representatives who are not contractual members, at the sole discretion of the Chair) participate, and it is expected that there may be at least one "Closed" session per annum. For example, a 'Closed' session may be used for reviews of first drafts of new Standards, or where members have not yet had the chance to comment on FMSB materials. More advanced drafts of Standards, Statements of Good Practice and other publications are generally discussed in "Open" sessions. The UK Authorities are invited to participate as an observer in the "Open" sessions of all Standards Board and Advisory Council meetings. All Standards Board or Advisory Council meetings will be "Open" unless the FMSB informs the UK Authorities that the session, or part thereof, will be "Closed" at least one week before the relevant Advisory Council or Standards Board meeting.

### **Status of MoU**

13. This MoU sets out the understanding between the FMSB and the UK Authorities and is intended to clarify the expectations of all parties. This MoU is personal to each party and no third party may rely upon it. The parties will use reasonable endeavours to meet the terms of this MoU but this MoU is not legally binding and is not intended to create obligations enforceable by any party. None of the parties shall have any rights or remedies against the other in respect of any failure by any other party to carry out its roles or responsibilities under or in accordance with this MoU.

### **Maintenance and review of MoU**

14. The UK Authorities reserve the right to review at any time the effectiveness of the arrangements set out in this MoU and take appropriate action.

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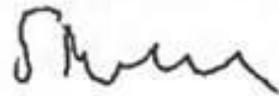
<sup>3</sup> [FMSB Terms of Reference](#)

Signed by Dave Ramsden  
Deputy Governor, Markets and Banking  
Bank of England:



Date: 8 November 2021

Signed by Sarah Pritchard  
Executive Director of Markets  
Financial Conduct Authority:



Date: 18 October 2021

Signed by Myles McGuinness  
Chief Executive Officer  
FICC Markets Standards Board Limited:



Date: 8 November 2021