

Market Practices							
Chairs: Kieran Higgins (Citi); Robert Mitchelson [TBU] (BlackRock)							
Topic	Description	Key Regulatory Initiatives	Status	Member Interest			
				Banks/Liquidity Providers	Asset Managers/ Owners	Corporates	Infrastructure Providers
Pre-Hedging	<ul style="list-style-type: none"> <li>Greater clarity for all market participants on the distinction between legitimate market making activity and front running in different contexts.</li> <li>Improving market understanding of where pre-hedging may occur and the benefits / impact of such activity.</li> <li>Help address areas of uncertainty in applying existing pre-hedging principles to different trading practices through practical case studies</li> <li>Produce guidelines for liquidity providers and clients.</li> </ul>	ESMA MAR Review and Call for Evidence.		✓	✓	✓	✓
Price discovery in illiquid securities	<ul style="list-style-type: none"> <li>Process of establishing price or depth of liquidity in a product.</li> <li>Distinction between genuine price discovery and potential illegitimate behaviours</li> </ul>			✓	✓	✓	
Hidden Leverage	<ul style="list-style-type: none"> <li>Minimising disruption to orderly market functioning of significant default events deriving from hidden leverage</li> <li>Risk of systemic liquidity crisis</li> </ul>			✓	✓	✓	✓
Liability Driven Investment funds	<ul style="list-style-type: none"> <li>Liquidity risks originating outside of the banking sector</li> <li>How to mitigate risk of event comparable to those in the UK LDI sector arising in the future</li> <li>Operational challenges</li> </ul>				✓		✓

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Dislocations in energy and commodities derivatives markets	<ul style="list-style-type: none"> <li>• Extreme price dynamics in energy markets</li> <li>• Importance of energy derivatives markets for hedging risks in the energy sector</li> <li>• Concentration of positions increasing the risk of disorderly market functioning</li> </ul>			✓		✓	✓
Unclear Principal Roles	<ul style="list-style-type: none"> <li>• Varying understanding on sell-side obligations in principal markets</li> <li>• Clarity around the capacity in which a liquidity provider is acting</li> </ul>			✓	✓	✓	

**KEY:**

**Status:** - In progress - Exploratory - Completed - On hold/Not pursued

Applicable to: ✓

## Environmental, Social and Governance (ESG)

Chair: Caroline Haas (NatWest Markets)

Topic	Description	Key Regulatory Initiatives	Status	Member Interest			
				Banks/Liquidity Providers	Asset Managers/ Owners	Corporates	Infrastructure Providers
Voluntary Carbon Markets	<ul style="list-style-type: none"> <li>Obstacles to scaling of voluntary carbon markets</li> <li>Present and future challenges to effective pricing of carbon credits given the unique features of the market</li> </ul>		 	✓	✓	✓	
ESG Ratings	<ul style="list-style-type: none"> <li>Spotlight Review published July 2022 which seeks to:               <ol style="list-style-type: none"> <li>Facilitate additional disclosure and transparency of ESG ratings methodologies and data collection processes</li> <li>Enhance user understanding of ESG ratings</li> <li>Facilitate comparability across rating providers in wholesale financial markets</li> </ol> </li> <li>FMSB Secretariat as member of WG led by ICMA and ISRG developing a voluntary code of conduct for ESG ratings &amp; data providers</li> </ul>		 	✓	✓	✓	✓
Sustainability-linked Products	<ul style="list-style-type: none"> <li>Governance and approval processes for SLPs</li> <li>Robustness / stretching nature of targets</li> <li>Concerns about appropriateness of products and conflicts of interest</li> </ul>			✓	✓	✓	
Greenwashing	<ul style="list-style-type: none"> <li>Defining greenwashing</li> <li>Considering where greenwashing risks may emerge in markets/ businesses/products</li> </ul>			✓	✓	✓	✓

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<b>Incorporating ESG/Net Zero Transition risks into MRM Frameworks</b>	<ul style="list-style-type: none"> <li>Identifying key thematic transition risks &amp; understanding the drivers of these risks</li> <li>Senior management individual &amp; collective responsibility/accountability for managing these risks</li> <li>Desk-level considerations</li> </ul>		■	✓	✓	✓	
<b>Unintended consequences of transition</b>	<ul style="list-style-type: none"> <li>Considering unintended consequence of transition to the fair &amp; effective functioning of wholesale markets</li> <li>Continued fundability/bankability of certain sectors</li> </ul>		■	✓	✓	✓	✓
<b>Data accuracy, validation, and representation</b>	<ul style="list-style-type: none"> <li>Scope of corporate reporting regimes</li> <li>Absence of single regulatory framework</li> <li>Lack of consensus on terminology &amp; definition</li> <li>Reliability of disclosure reports</li> </ul>		■	✓	✓	✓	✓
<b>Competence / Expertise</b>	<ul style="list-style-type: none"> <li>ESG is a fast-evolving area from both a regulatory &amp; product perspective</li> <li>Where could competence/quality challenges give rise to risks?</li> <li>Quality and purpose of second party opinions</li> </ul>		■	✓	✓	✓	✓
<b>Regulatory fragmentation</b>	<ul style="list-style-type: none"> <li>Need for greater harmonisation and standardisation of regulatory frameworks and taxonomies</li> <li>Proliferation of sustainable finance frameworks presents material comparability challenges</li> </ul>		■	✓	✓	✓	✓

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## Electronic Trading & Technology

Chair: Ciara Quinlan (UBS) [New Chair TBC]

### Member Interest

Topic	Description	Key Regulatory Initiatives	Status	Member Interest			
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AI and ML Applications in Wholesale Markets	<ul style="list-style-type: none"> <li>New frontier for global regulatory fragmentation</li> <li>Firms considering the guardrails that should be applied to AI internally</li> <li>Role of AI and ML in wholesale markets; key risks and mitigants</li> <li>Existing concerns relate e.g. to hidden biases; market abuse; data leakage; uncontrolled use of ever proliferating tools; reliance on third party software; transparency/disclosure and quality of consumer interactions</li> </ul>	Discussion Paper 5/22 by BoE					
Review and Monitoring of Algos Post-Implementation	<ul style="list-style-type: none"> <li>Algo control frameworks; model risk; regulatory interest in AI/ML applications</li> <li>Holistic monitoring and review of algos post implementation</li> </ul>						
Market Outages	<ul style="list-style-type: none"> <li>Information venues are expected to communicate to the market during and after an outage</li> <li>Treatment of orderbook for different types of outages</li> <li>FCA guidance for equity platforms; consider application to FI and FX</li> </ul>						

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<b>Digital Assets</b>	<ul style="list-style-type: none"> <li>Tokenisation of traditional securities - key issues for market participants</li> <li>Adoption of crypto assets               <ul style="list-style-type: none"> <li>(i) Custody - delta between role of traditional custody and custody of crypto-assets; key considerations</li> <li>(ii) Institutional demand for exposure to crypto assets - barriers to adoption</li> </ul> </li> </ul>		■	✓	✓		✓
<b>Trading Venue Perimeter</b>	<ul style="list-style-type: none"> <li>Clarity as to which systems &amp; facilities qualify as trading venues for regulatory purposes &amp; concerns around unlevel playing fields developing</li> <li>Focus at UK and EU level</li> </ul>	CP 22/18	■	✓			✓

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## Post-Trade

Chairs: David Hudson (JP Morgan), Tim McLeod (BlackRock),  
Philip Glackin (JP Morgan), Siobhan Clarke (Royal London)

### Member Interest

Topic	Description	Key Regulatory Initiatives	Status	Banks/Liquidity Providers	Asset Managers/ Owners	Corporates	Infrastructure Providers
Common KYC Document Set	<ul style="list-style-type: none"> <li>Core and additional document set for UK-driven KYC</li> <li>Initially focused on funds</li> </ul>		In progress	✓	✓	✓	✓
Future State of Onboarding	<ul style="list-style-type: none"> <li>Attributes of an optimised COB system, including potential use of digital identity</li> </ul>		In progress	✓	✓	✓	✓
Standard Settlement Instructions	<ul style="list-style-type: none"> <li>Best practices for sharing of SSIs between counterparties</li> <li>Compatible with manual processes and future automation</li> </ul>		In progress	✓	✓	✓	✓
Future State of Settlement	<ul style="list-style-type: none"> <li>Attributes of an optimised settlement process, including potential use of DLT and atomic settlement</li> </ul>		Exploratory	✓	✓	✓	✓
IM and VM Performance Metrics	<ul style="list-style-type: none"> <li>Metrics on key margin clearing parameters, to benchmark firms and encourage adoption of best practice across the market</li> </ul>		In progress	✓	✓	✓	✓
Future State of Margin Clearing	<ul style="list-style-type: none"> <li>Metrics on key margin clearing parameters, to benchmark firms and encourage adoption of best practice across the market</li> </ul>		In progress	✓	✓	✓	✓
LEI Adoption	<ul style="list-style-type: none"> <li>Consider the optimal process for sharing of LEIs and their increased adoption</li> </ul>		Exploratory	✓	✓	✓	✓

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## Conduct & Ethics

Chairs: Tracey McDermott (Standard Chartered), Olivia Richards (Oliver Wyman)  
 Alan Leigh (Bank of America Merrill Lynch),

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Topic	Description	Key Regulatory Initiatives	Status	Banks/Liquidity Providers	Asset Managers/ Owners	Corporates	Infrastructure Providers
Conduct MI	<ul style="list-style-type: none"> <li>Data collected and how it is used</li> <li>Role of MI across functions and different management levels and how it informs decision-making</li> <li>How can the industry improve and what are the benefits of having more advanced conduct MI frameworks</li> </ul>			✓	✓	✓	✓
Surveillance of e-comms and unauthorised channels	<ul style="list-style-type: none"> <li>Communications relating to business matters only taking place on authorised channels</li> <li>Concerns about use of personal devices and corresponding record-keeping difficulties</li> <li>Importance of record-keeping for ensuring market integrity</li> </ul>			✓	✓		
Big Data	<ul style="list-style-type: none"> <li>Increasing data-driven price differentiation, leading to value creation for those with greater access to data.</li> <li>Are there limits to what is fair and potential to abuse less sophisticated market participants? Should there be greater focus on data that can / cannot be used in pricing engines</li> </ul>			✓	✓	✓	✓

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