

FMSB KEY INITIATIVES TIMELINE – INDICATIVE DATES

Committee	2024					
	Jan	Feb	March	April	May	June
Market Practices	<ul style="list-style-type: none"> Horizon scanning 		<ul style="list-style-type: none"> Illiquid securities / BWICs & OWICs Dealer polls Trading in the grey 	<ul style="list-style-type: none"> Case studies: Pre-hedging 		<ul style="list-style-type: none"> Spotlight Review: Carbon markets
ESG						<ul style="list-style-type: none"> SoGP [TD]: Governance of sustainability-linked products
Electronic Trading & Technology	<ul style="list-style-type: none"> Horizon scanning 		<ul style="list-style-type: none"> SoGP: Algo model risk 	<ul style="list-style-type: none"> AI applications in electronic markets 		
Post-Trade		<ul style="list-style-type: none"> Standard [TD]: Client onboarding 				<ul style="list-style-type: none"> Standard: Client onboarding Spotlight Review: Uncleared margin Standard [TD]: Standard Settlement Instructions
Conduct & Ethics	<ul style="list-style-type: none"> Horizon scanning 	<ul style="list-style-type: none"> Trade surveillance 				<ul style="list-style-type: none"> Training on Fair and Effective Markets: Certified Training Course SoGP [TD]: Front Office Supervision

KEY:

★ Standard
 ★ Spotlight Review
 ★ SoGP
 ★ Other
 Exploratory
 TD = Transparency Draft

Committee	Working Group	Description
Market Practices	Pre-hedging	<ul style="list-style-type: none"> • There remains market uncertainty around where pre-hedging takes place, the rationale and client benefits deriving from the activity as well as the distinction between inventory management, pre-hedging and front running. • Developing guidelines with a set of practical case studies which aim to address current areas of uncertainty and provide greater clarity as to what is considered acceptable and unacceptable market practice in different contexts.
	Carbon markets	<ul style="list-style-type: none"> • Whilst the carbon markets have been expanding at pace, there remain frictions and challenges that are hindering these markets from achieving the scale necessary to achieve their aims of fighting climate change. These range from difficulties in the theoretical valuation of carbon credits, to knowledge and trust gaps in individual projects and regulatory uncertainty. • Development of a continuation of the September 2022 publication on Voluntary Carbon Markets to illuminate current issues in the wider carbon markets.
	Price discovery in illiquid securities	<ul style="list-style-type: none"> • Price discovery in illiquid securities - topics include the process of establishing price or depth of liquidity in a product and the distinction between genuine price discovery and potential illegitimate behaviours.
	BWICs & OWICs	<ul style="list-style-type: none"> • Auction-like process for sourcing/selling less liquid products (e.g. ABS, loans, certain corporate bonds) – dealers assist sellers to run a process to find interested buyers. • BWIC/OWIC currently informal process which may present a number of conflicts of interest e.g.: <ol style="list-style-type: none"> 1. Desk may be looking after both seller and potential investors 2. Firms may put house bids in the process alongside client bids 3. Firms may add to a partial client bid to make it whole. • Client communication / disclosure issues: <ol style="list-style-type: none"> 1. How much information a dealer can give to potential investors re level of bids 2. What information / market colour can be shared.
	Dealer polls	<ul style="list-style-type: none"> • Dealer polls are a common fallback in contractual documentation but the conduct risks associated with participating in them combined with the lack of incentives means that they are unlikely to be effective when needed. • Clearer guidance around expected practices would benefit market effectiveness.
	Trading in the grey	<ul style="list-style-type: none"> • Potential workstream to provide guidance regarding good practices for navigating conflicts of interest (and their management) in the context of trading in the grey. • Issues include potential conflicts of interest where a firm participates in the syndicate and the market making desk also engages in grey market trading, reporting obligations for grey market trades, and assumptions made in relation to a security to be traded.

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Conduct & Ethics	Front office supervision	<ul style="list-style-type: none"> • FMSB is revisiting its 2017 publication 'Front Office Supervision Statement of Good Practice for FICC Market Participants', expanding and revising it to reflect current practices. • Public disquiet and sharper regulatory oversight has followed recent misbehaviour including bank failures. • Industry responses include implementation of costly programmes to address control weaknesses and extension of ever deeper, wider and timely surveillance, reporting and oversight frameworks. • There are now concerns about possible over-emphasis on low value-add supervision and control efforts.
	Trade surveillance	<ul style="list-style-type: none"> • Surveillance emerged from horizon scanning as a significant topic that may evolve into a Statement of Good Practice. • Inadequate surveillance of trading activity can lead to unidentified market abuse or trader misbehaviour leading to loss or detriment to clients, markets and the firm's reputation. • Firms are struggling daily with high volumes of alerts (false positives) and technical inefficiencies. • Discussions on how best to proceed are exploratory.
Electronic Trading & Technology	Algo model risk	<ul style="list-style-type: none"> • FMSB published a Transparency Draft of the 'Statement of Good Practice for the application of a model risk management framework to electronic trading algorithms'. • The publication intends to support firms in applying model risk management frameworks in a proportionate manner to models deployed in their electronic trading algorithms taking into account the nature, scale and complexity of such models as well as existing systems and risk controls intended to mitigate associated market, conduct, credit and operational risks.
	AI applications in wholesale markets	<ul style="list-style-type: none"> • Model and conduct risks associated with the deployment of AI and ML applications in pricing, hedging and execution in electronic markets. • Development / augmentation of robust control frameworks to govern such applications.

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ESG	Governance of sustainability-linked products	<ul style="list-style-type: none"> Concerns about the robustness of sustainability-linked products (SLPs) are giving rise to greenwashing risks, undermining investor appetite for such products and creating reputational risks across different market segments. Issues identified associated with SLPs include conflicts of interest and product appropriateness, product characteristics and the materiality of targets, governance and approval processes and corporate incentives/investor considerations. FMSB is developing asset class agnostic guidance to complement existing product-specific principles, setting out guiding principles for good governance to help identify and mitigate risks inherent in SLPs.
Post-Trade	Client onboarding	<ul style="list-style-type: none"> Significant inefficiencies exist in the client onboarding processes, with firms having different interpretations of regulations and guidelines and different asks when gathering information from a client. FMSB is developing a Standard to codify best practice when onboarding or refreshing clients' KYC and harmonise the documentary asks from clients.
	Non-economic trade data	<ul style="list-style-type: none"> FMSB is creating a Standard for Sharing of Standard Settlement Instructions (SSIs) which aims to codify best practice in use of pre-authenticated industry platforms for sharing of own SSIs and recommend the use of pre-authenticated industry platforms for clients' SSIs, where managing those SSIs is part of the commercial relationship. The publication will include a model template for manual sharing of SSIs (based on ISITC 2023 taxonomy). FMSB is undertaking exploratory work on technology and/or processes which could reduce the frequency and/or time taken for call-backs.
	Uncleared margin	<ul style="list-style-type: none"> FMSB is working to define metrics for automation of margin call issuance and response (by incoming/outgoing and IM/VM). FMSB is also creating a Spotlight Review on industry frictions to critically evaluate whether issuance can and should be solved by the industry. The paper intends to identify issues at each point of the trade lifecycle, existing and potential solutions, and the barriers to adoptions. It may also cover the scale of the issue and solvability.