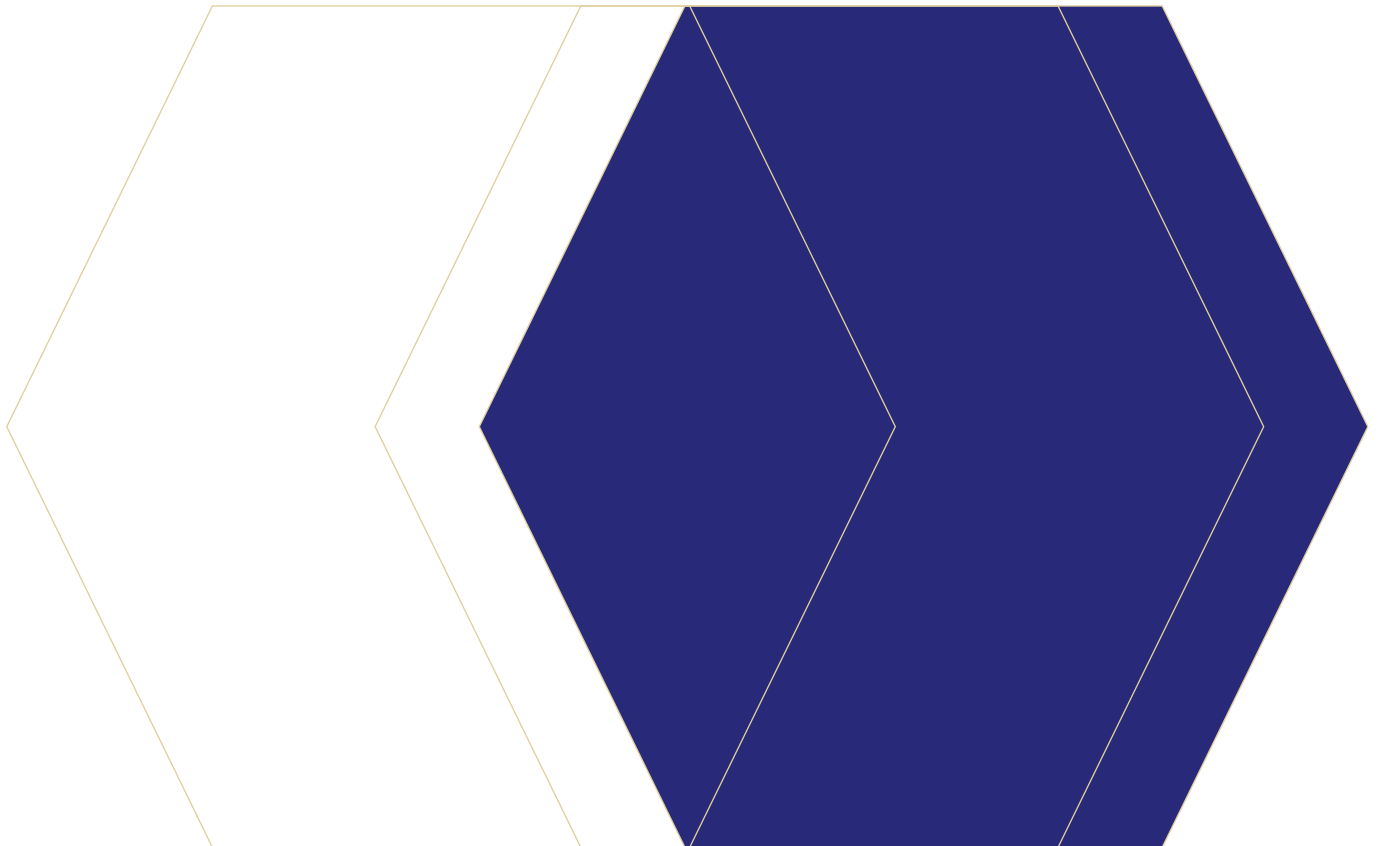


2025 Workplan

January 2025



I. Introduction

The Financial Markets Standards Board (FMSB) was established pursuant to the UK Fair and Effective Markets Review to improve the fairness and effectiveness of wholesale financial markets¹. With engagement from a broad cross-section of wholesale market participants and end-users, alongside regular dialogue with public authorities, FMSB's objectives are to:

1. **Address areas of uncertainty in trading practices** – through convening forums to debate and create Standards, Statements of Good Practice (SoGPs) and Spotlight Reviews
2. **Horizon scan and identify emerging risks and trends in wholesale markets** – responding in a flexible way to such trends and risks
3. **Drive adherence to standards** – through an annual attestation process
4. **Contribute to international convergence of standards.**

This paper outlines FMSB's Workplan for 2025 which is informed by objectives 1. and 2. above. It includes both work that is currently in progress across FMSB's five Committees, as well as topics that have been raised for consideration in 2025. In light of FMSB's mandate outlined above, the topics selected aim to address one or more of the following thematic, with the outputs seeking to create clear, widely understood and practical common standards or good practices that are consistently upheld:

- Reduce uncertainty and ambiguity in current market practices
- Bridge the gap between regulation and market developments
- Respond to financial market threats or trends
- Strengthen and promote convergence of international market standards

The outputs focus on behaviour in wholesale financial markets and may address topics that are either conduct or operational in nature to the extent such issues impact market fairness or effectiveness.

¹ FMSB was originally formed as the FICC Markets Standards Board changing its name to the Financial Markets Standards Board in 2022.

II. Topic Selection

How does FMSB horizon scan?

Subject matter experts across FMSB's five Committees are responsible for horizon scanning and topic selection. These Committees are (i) Market Practices; (ii) Electronic Trading and Technology; (iii) ESG; (iv) Conduct & Ethics; and (v) Post-Trade. Key sources informing the Committee horizon scanning process include:

- Practitioner dialogue
- Issues experienced by users of wholesale markets
- Dialogue with UK and international regulators and public authorities
- Engagement with broader industry stakeholders (e.g. consultants, law firms etc.)
- Consideration of emerging industry themes

Once a topic has been prioritised by a Committee and approved by the Standards Board, a Working Group, made up of subject matter experts from across the membership, is formed to debate and develop the materials.

How does FMSB decide its Workplan?

From the list of potential topics identified through the horizon scanning process, topic selection is narrowed and prioritised taking into account factors including:

Relevance to mandate	<p>Does the topic relate to:</p> <ul style="list-style-type: none"> • Behaviour in wholesale markets (either of a conduct or operational nature) • Uncertainties and ambiguities in current market practices • Bridging the gap between regulation and market developments • Wholesale market threats or trends • Strengthening international market standards
Impact	<ul style="list-style-type: none"> • How material is the topic for financial market participants? • Could it be meaningfully addressed through market standards or other FMSB outputs? • How many organisations have raised the issue? Is it a concern for end users? • Is the issue of local, regional or global significance?
Role of FMSB	<ul style="list-style-type: none"> • Is FMSB best placed to address the issue? • Are regulators or other industry associations already considering the topic?
Timing	<ul style="list-style-type: none"> • Is this the right time to address the issue (particularly relevant for emerging or dynamic topics)? • How novel or urgent is the topic to be addressed?
Complexity	<ul style="list-style-type: none"> • What is the likelihood of achieving sufficient consensus to publish an output? • To what extent are there competition law issues associated with potential solutions? Are these issues surmountable?

III. Work in Progress

FMSB Committee	Topic	Topic overview	Status
Market Practices	Pre-hedging	<p>Pre-hedging is where liquidity providers aim to hedge inventory risk in an anticipatory manner. This Spotlight Review illustrates what constitutes pre-hedging, when it is appropriate to undertake pre-hedging, how it should be disclosed to clients and the framework that liquidity providers should have in place.</p> <p>Further work on this topic, considering final IOSCO guidance will be considered for 2025. Specific follow-on work will be conducted on auto pre-hedging and new issuance swaps (see Section IV below).</p>	<p>Spotlight Review published July 2024; Working Group to reconvene H2 2025</p>
	Grey market trading	<p>Grey market trading (GMT) is the conditional trading of securities relating to a new issue from the point of deal announcement until such securities are free-to-trade. Given the evolution of market practices this SoGP is intended to promote a common understanding of the purpose, benefits and risks associated with GMT across issuers, investors and market makers. Additionally, it will consider GMT restrictions and potential conflicts of interest for firms who are also on the syndicate for the new issuance.</p>	<p>Working Group established; Draft in progress</p>
	Carbon markets	<p>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.</p> <p>Development of a continuation of the September 2022 publication on Voluntary Carbon Markets to illuminate current issues in the wider carbon markets.</p>	<p>Spotlight Review expected H1 2025</p>

FMSB Committee	Topic	Topic overview	Status
Electronic Trading and Technology	Market-facing applications of AI	<p>AI use cases to date in financial services have typically focused on internal productivity and efficiency gains. However, as market participants begin to explore market-facing applications, the risks associated with such use cases will differ from internal applications. Furthermore, the current broad definitions of AI capture both traditional machine learning techniques used in e-trading, as well as novel generative AI and natural language processing applications.</p> <p>The proposed focus of the Working Group will be on market-facing AI applications in wholesale markets, distinguishing between more traditional and novel use cases, the potential risks these pose to firms, clients and markets as well as how firms may think about mitigating such risks.</p>	Working Group established Dec 2024
ESG	Sustainability-linked product governance	SLPs are a type of financial instrument whose financial and/or structural characteristics vary depending on whether the User achieves specific sustainability or ESG objectives. This SoGP is intended to codify good practices for the governance of SLPs and to support the adoption of consistent governance practices across asset classes and jurisdictions.	Transparency Draft published Dec 2024
Conduct & Ethics	Front office supervision	Supervisory oversight of front office activities is a core requirement in global wholesale markets. This SoGP supports firms in their efforts to design and operate effective supervision frameworks for market and client-facing activity.	Final publication Jan 2025
	Unauthorised trading	Trading controls comprise a subset of front, middle and back office controls that are necessary to prevent or detect incidents of inappropriate or unauthorised trading. The Working Group is focusing on driving a consistent understanding of key terms and clarifying expectations of good practice.	Working Group established Dec 2024
Post-Trade	Client onboarding	The Standard aims to streamline the data points and documents and sources which are acceptable to populate such data points, for the purpose of standard KYC under the UK regulatory framework.	Final publication Dec 2024

FMSB Committee	Topic	Topic overview	Status
	Standardised settlement instructions	The Standard codifies existing best practice for the sharing of SSIs, in particular, the use of pre-authenticated solutions which allow for automation and introduces new manual templates consistent with ISO20022 for use where such automation is not legally or operationally feasible.	Final publication Jan 2025
	Uncleared margin	This Spotlight Review highlights the frictions faced in the post-trade stage of OTC derivatives. Informed by a market survey, it identifies areas of operational improvement which can be implemented by firms today, as well as topics most supported for future discussions.	For publication Q1 2025
	Digital Identity	This Working Group will consider the technological attributes required to prove provenance (digital ID) as well as the data elements (digital passport) which may be commonly needed to be demonstrated, for selected use cases in the post-trade area.	Working Group to be established Jan 2025

IV. 2025 Workplan – Potential Topics

The following topics have been raised during Committee horizon scanning meetings in 2024 and may form part of FMSB’s Workplan for 2025. The Standards Board will determine the relative priority of these topics and where to form Working Groups to progress in 2025. New topics may emerge during 2025 which Members elect to prioritise over those outlined below.

FMSB Committee	Topic	Topic overview
Market Practices	New issuance swaps	In 2018, FMSB issued a Standard considering the conduct risks associated with risk management transactions for new issuances. Market practices around the pricing of new issuance swaps and associated anticipatory risk management approaches have evolved since 2018, potentially presenting novel conduct questions.
	Price discovery in illiquid securities	Process of establishing price or depth of liquidity in a product and the distinction between genuine price discovery and potential illegitimate behaviours such as spoofing.
	Private market valuations	There has been a material growth in private markets over recent years. However, changing macro-economic conditions have placed pressure on the valuation of certain less liquid assets. It is important that the governance around valuation practices is robust. Regulators have highlighted issues around accountability, role of valuation committees, management information and oversight of such practices.
	Dealer polls	Dealer polls are a common fallback in contractual documentation. They were once a useful tool but have decreased in popularity due to uncertainty and conduct risks associated with their operation as well as lack of incentives to counterbalance these risks. The fallback may therefore be ineffective given the reluctance of dealers to provide quotes when called upon. Clear guidance on this topic could enhance market effectiveness.
Electronic Trading and Technology	Electronic / auto pre-hedging	Auto pre-hedging is where a liquidity provider systematically pre-hedges on receipt of a client request and before responding to the client with a price. Feedback from liquidity providers suggests that auto pre-hedging is not currently a widely used technique in wholesale markets. The systematic nature of the activity means that there is no opportunity for case-by-case consideration of the potential costs and benefits of pre-hedging. Concerns have been expressed by market participants regarding the transparency and client benefits of this practice.
ESG	Horizon scanning	ESG Committee to meet in Q1 to discuss areas of focus for 2025. This Workplan will be updated to include the topics identified.

FMSB Committee	Topic	Topic overview
Conduct & Ethics	Non-financial misconduct	The FCA published the results of a culture and non-financial misconduct survey in October 2024. The themes addressed include: culture, detection of non-financial misconduct, confidentiality agreements, whistleblowing, governance and management information and regulatory references. The industry is expected to analyse and interpret these findings, share best practices and consider actions to continue to drive cultural improvements in financial services firms.
Post-Trade	Extension of client onboarding applications by jurisdiction and client type	The first iteration of the Client Onboarding Standard considers the UK Money Laundering Regulations only, as applicable to the onboarding firm. However, as the Standard's scope is clients and associated legal and natural persons from any jurisdiction, references to acceptable documents and sources are written generically. Work is ongoing to "translate" these generic statements to specific document names and sources for a range of most commonly encountered jurisdictions.