



НАЦИОНАЛЬНАЯ  
ФИНАНСОВАЯ  
АССОЦИАЦИЯ  
Саморегулируемая  
организация

NATIONAL  
FINANCE  
ASSOCIATION  
Self-regulatory  
Organization

## **Minutes of the Meeting 4**

### **Meeting of the Moscow FX Joint Standing Committee**

#### **SRO NFA - ACI Russia**

**Moscow**

**April 2, 2019**

**Meeting format:** face-to-face voting on the agenda items

**Venue:** Moscow, Bolshoy Sergievsky pereulok, 10

#### **Participating members of the Meeting of The Moscow FX Joint Standing Committee (The Committee) SRO NFA - ACI Russia:**

1. Romanchuk Sergey (Metallinvestbank) – Chairman
2. Lyakh Valery (Central Bank of Russia)
3. Vidov Pavel (FC "INTRUST")
4. Egorov Eugene (VESTA Bank)
5. Kozinetz Vladimir (Rolf)
6. Kozlov Ilya (AIM Capital)
7. Masharov Evgeny (Association of forex dealers)
8. Meshcheryakov Vadim (VTB)
9. Piskulov Dmitry (Moscow Stock Exchange)
10. Sabaev Allan (Gazprombank)
11. Salashchenko Anton (OTP Bank)
12. Skabelin Andrey (Moscow Stock Exchange)

External (non-member) invitees:

1. Avdeev Alexey – Refinitiv
2. Katysheva Irina – Central Bank of Russia
3. Pinegina Elena – Central Bank of Russia

Total number of Committee members – 28, number of participants present – 12 people. Additionally, 1 member has granted a power of attorney to the Chairman, Romanchuk Sergey.

A total of 13 numbers voted; this was less than 2/3 of the total number of the Committee members. The quorum requirement is therefore not met. Due to the absence of a quorum, the decisions of the Council are of a preparatory nature for bringing up issues requiring voting at a meeting held by absentee voting.

#### **AGENDA:**

1. “Basic principles of fair conduct in the financial market” (Code of Good Conduct).  
Speakers: Valery Lyakh, Irina Katysheva Central Bank of Russia.

2. FX Global Committee review and it's working groups documents. (Sergey Romanchuk, Metallinvestbank)
3. Practices of using the Full Amount convention and issuing recommendations (best practice) for the Russian foreign exchange market. (Sergey Romanchuk, Metallinvestbank).
4. Methodology for establishing the official rate of the Bank of Russia. (Sergey Romanchuk, Metallinvestbank; Dmitry Piskulov, Moscow Stock Exchange)
5. Any other business:
  - 5.1 On the compliance of Raiffeisenbank's counterparty's actions in court arbitration case No.A40-183207 / 18-22-1381 to fair practices of the foreign exchange market.
  - 5.2 FX Global Code Knowledge Examinations.
  - 5.3 Changes to the Regulation on FXJSC.
  - 5.4 Rotation of FXJSC members.

## **DISCUSSION:**

### **Item 1. "Basic principles of fair conduct in the financial market" (Code of Good Conduct). Speakers: Valery Lyakh, Irina Katysheva Central Bank of Russia.**

The basic principles of fair conduct in financial markets (hereinafter referred to as the Code) are an integral part of the mechanism for developing a culture of fair conduct in the financial market, designed to help protect the rights and interests of consumers and stimulate further long-term and sustainable development of the financial market. The code applies to financial organizations that are guided by its principles in their activities.

Financial organizations declare their commitment to follow high standards of good conduct by signing a declaration of accession to the Code, posting information on their official website and / or on the official website of the self-regulatory organization (hereinafter referred to as SRO) on the Internet information and telecommunications network and directing information about the signing of the declaration addressed to the Central Bank of Russia. In the event that an SRO discovers evidence that a financial organization does not comply with the principles provided for in this Code, these facts may be grounds for considering the matter of unfair behavior at the NFA Ethics Committee and deciding on such a member of the SRO.

The Code is the basic element of the promotion of business and ethical (behavioral) standards; therefore, its implementation can take place, among other things, by introducing both all and its individual principles into the SRO standards developed and approved in accordance with the requirements of the legislation of the Russian Federation; on its basis, codes of financial organizations, financial markets and professions in the financial market can be developed, taking into account the nature and scale of the activities of the financial organization.

The Code is not a regulatory document and is a recommendation.

Representatives of the Central Bank of Russia made a presentation on the Basic Principles of Conscientious Behavior in Financial Markets so that market participants submit their comments (the desired deadline is April 17).

## **RESOLUTION:**

1. Take note of the information from the report of representatives of the Central Bank of Russia. Send comments on the draft document to the SRO NFA Secretariat for generalization or independently directly to the Central Bank of Russia.

**Item 2. FX Global Committee review and it's working groups documents. (Sergey Romanchuk, Metallinvestbank).**

There is a correspondence between the Bank of Russia and the Committee secretariat regarding the membership of the Russian Federation in the [Global FX Committee](#), most likely some decisions in this part will be taken at the next GFXC meeting in Tokyo on May 22-23 in Tokyo.

The main information on the latest results of GFXC work is presented in [a press release on February 14, 2019](#), which refers to the publication of the reports of the two working groups and the results of a regular survey on the recognition of the FX Global Code as market participants.

1. The report "[The Role of Disclosure and Transparency in the Global FX Market](#)," describes eight characteristics that help market participants develop and analyze disclosure documents in the foreign exchange market, as well as discusses issues related to information disclosure in the context of trading on anonymous platforms.

2. The document "[The Role of the Cover and Deal Arrangements in the Global FX Market](#)" describes various aspects of the organization of this trading method and highlights specific, relevant principles in the Global Code, which are related to such trading practices

3. The goal of the [2018 GFXC survey](#) is to measure the awareness, acceptance, implementation, and impact of the Global Code for market participants. The information gathered during the 2018 survey is an important source of information for GFXC, as it continues to promote, maintain and update the Global Code and incorporate it into the structure of the currency markets. The survey revealed many aspects of how the Global Code is being implemented worldwide, which will be the basis for the future work of GFXC. (See [poll result](#)). Key findings include:

- 95% of respondents have fully or partially read the Global Code, and more than two thirds know about updates made to the Global Code since its launch in 2017.

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- Among respondents, the adoption of the Global Code increased significantly from 2017 (11%) to 2018 (55%).

- 80-90% of respondents believe that the Global Code has had a positive impact on their firm and more broadly on foreign exchange markets.

**RESOLUTION:**

2.1 Take note of the work of the Global FX Committee.

2.2. To disseminate information about published working papers within the relevant departments of their organizations.

**Item 3. Practices of using the Full Amount convention and issuing recommendations (best practice) for the Russian foreign exchange market. (Sergey Romanchuk, Metallinvestbank).**

Recently, the transition to the division of trading practices with the simultaneous execution of an order at several sites (Sweepable) and fully on one liquidity provider (Full Amount) is becoming widespread in the foreign exchange market. The use of full-volume trading is intended to reduce the market impact of risk transfer by preventing leakage of transaction information to the market. Some platforms have introduced different liquidity pools.

At the same time, different market participants have a different understanding of how these modes are defined and used. The Global Foreign Exchange Code gives an example of unfair practices in this matter:

#### PRINCIPLE 21

*Market Participants should communicate in a manner that is clear, accurate, professional, and not misleading.*

Communications should be easily understood by their intended recipient. Therefore, Market Participants should use terminology and language that is appropriate for the audience and should avoid using ambiguous terms. To support the accuracy and integrity of information, Market Participants should:

- *not provide misleading information in order to protect Confidential Information—for example, when executing partial orders. Accordingly, Market Participants could, if asked, decline to disclose whether their request to transact is for the full amount rather than inaccurately suggest that it is for the full amount.*



The asset manager contacts the three banks and asks: “Give me the price of £ 50 million per US dollar (GBP / USD)? This is the total amount of my operation.” The asset manager buys £ 50 million from each of the three banks for a total of £ 150 million.

Market Participants should communicate in a manner that is clear, accurate, professional, and not misleading. In this example, the asset manager intentionally misleads banks to get the best price. If requested, the asset manager may refuse to provide information on whether his application for the transaction is a full-value application.

The FXJSC was invited to discuss current practices, develop general conventions and recommend them to be used by market participants as good practices.

Main topics for discussion:

#### 1. Definition of Full Amount trading.

EBS: “When trading on a ‘Full Amount’ price, Participants are expected to submit their full Trade Request in relation to the indicative price quoted. ‘Full Amount’ prices are displayed in the aggregated EBS Direct Market View. When a Liquidity Consumer trades on a ‘Full Amount’ price, a Trade Request will be sent to the one Liquidity Provider streaming that indicative price. If the Trade Request is accepted by the Liquidity Provider, a Deal with that Liquidity Provider will result, for the entire size of the Trade Request”.

TradeAir: “With Full Amount pricing, liquidity providers agree ‘relationship based liquidity agreements’ with their price taking bank and broker clients, whereby the LPs agree to price the Full Amount of an order (up to agreed maximum size), on the understanding that the entire order will be executed with the one LP that provides the best price for the full order amount”.

CBOE (HotspotFX): “Cboe's Full Amount technology consolidates streaming price feeds from the market's premier liquidity providers into a single best price at each desired size level, resulting in an efficient tool to access and manage liquidity. Liquidity consumers transact against the best quote from a single LP that satisfies the full amount of the order to ensure minimal information leakage and reduced slippage.”

Suggestions for wording:

- a) *“Trading full amount (Full Amount Trading) means that a market participant — a consumer of liquidity acting as a principal — makes a transaction with only one liquidity provider at a time for **the full amount of a quotation request at the current price level**, refraining from making transactions the market for its own position during a certain characteristic time, depending on the amount of the transaction and the current liquidity of the currency market in this currency pair.”*
- b) *“Full Amount Trading means that a market participant, a liquidity consumer acting as a principal, makes a deal with only one liquidity provider at a time for **the full amount of the currency risk he currently has**.”*

An example of a table for determining the characteristic time of a moratorium for entering the market after a transaction for the full amount:

Amount, million USD.	Time, seconds
1	1
2	3
3	6
5	10
10	30
15	60
20	100
30	200
40	300
50	400

Participants noted the difficulties of formulating a general definition, since different options may be acceptable for different participants depending on the roles, features of business processes and established relationships, however it is important that the parties have a full understanding of what definition they adhere to and fairness in the execution of agreements.

At the same time, the availability of Full Amount mode in trading platforms implies a certain general concept.

Also, attention was drawn to the fact that practices that are currently recognized as dishonest are observed rather when transactions are made by large corporate clients than between banks. It was proposed to strengthen the work on client education - why prepare a publication for ACC magazine and popularize participation in ACI Russia events, in particular, the eFX Summit.

## **RESOLUTION:**

2. To recommend participants of the foreign exchange market - principals when choosing a method for executing transactions with distributed partial (sweepable) or full (full amount) to adhere to the principles of the FX Global Code, namely:

1) Transparency: counterparties must agree on the method of execution of transactions in a particular price stream and the specific definition of full execution among themselves, as well as definition parameters, such as the time of suspension of trade in the market after the transaction is completed in full.

2) Honesty: counterparties must abide by their obligations.

### **Item 4. Methodology for establishing the official rate of the Bank of Russia. (Sergey Romanchuk, Metallinvestbank; Dmitry Piskulov, Moscow Stock Exchange)**

A draft letter was submitted to the Bank of Russia, in which it was proposed to improve the methodology for determining rates in several areas: to unify methods for setting rates to the dollar and euro, to move from a volume average over a period to a simple time average and to clarify sources of pricing information on other currencies. The participants also discussed the possibility of switching to the existing exchange of the Moscow Exchange on USDRUB as a course for the Bank of Russia at 12:30, which is used to calculate non-deliverable forwards and futures, but did not reach a common opinion on this matter and decided not to include this item in draft letter.

## **RESOLUTION:**

4. Send a letter to the Central Bank on behalf of the FXJSC with a request to consider proposals for changing the methodology for establishing the official rate of the Central Bank of the Russian Federation.

### **Item 5. Other business**

#### **5.1 On the compliance of Raiffeisenbank's counterparty's actions in court arbitration case No.A40-183207 / 18-22-1381 to fair practices of the foreign exchange market (Sergey Romanchuk, Metallinvestbank).**

The FXJSC reviewed the available materials in the case in which Egridient LLC requires Raiffeisenbank to execute currency forward transactions in euros against the US dollar at rates short-term displayed on the counterparty's screen as a result of a technical failure. At the same time, the bank considers the transactions not concluded, and the counterparty insists on the opposite.

Different points of view were expressed, including the imperfection of the contractual framework, which used the bank. However, in general, the participants of the FXJSC recognized the actions of Egridient LLC as not conforming to the principles of fair conduct in the market. At the same time, the participants of the FXJSC noted the importance of the outcome of this lawsuit

for the development of the e-commerce market in Russia, since if unfair behavior is recognized as legitimate, this will create additional risks in the market and will make transactions more expensive for all customers using e-services.

**RESOLUTION:**

5.1 Formulate and submit to the absentee approval the decision of the FXJSC in the form of answers to the questions of a letter from Raiffeisenbank to the SRO NFA number 1357 dated April 01, 2019.

**5.2 FX Global Code Knowledge Examinations (Sergey Romanchuk, Metallinvestbank).**

Sergey Romanchuk reported that an agreement was reached between ACI Russia and Refinitiv to conduct examinations from the ACI line (FX Global Code Certificate, ACI Dealing Certificate, ACI Operations Certificate, ACI Diploma) on the third Wednesday of each month. In addition to this, it is possible to pass the ACI Online FX Global Code Exam - from your computer from anywhere without visiting a test center. In content, it is more complicated than the FX Global Code Certificate, and is more limited in time. All exams are in English.

**5.3 Changes to the FXJSC Regulation.**

It was proposed to harmonize the Regulation on the FXJSC with other provisions on the committees of SRO NFA, in particular, to reduce the criterion of the necessary quorum for decision-making from 2/3 to 1/2 of the total number of FXJSC.

**RESOLUTION:**

5.3 Prepare edits and submit to the next meeting of the FXJSC.

**5.4 Rotation of FXJSC members.**

Alina Tsarenko (Rosbank) was nominated for inclusion in the membership of the FXJSC.

**The Moscow FX Joint Standing Committee Chairman**

*Sergey Romanchuk*