Minutes of the Meeting 2

Meeting of the Moscow FX Joint Standing Committee

SRO NFA - ACI Russia

Moscow June 21, 2018

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

Venue: Moscow, Bolshoy Sergievsky perelo, 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. Alexandrova Tatiana (BCS)
3. Vidov Pavel (FC "INTRUST")
4. Atanasyan Levon (Renaissance Broker)
5. Dergunova Daria (Bloomberg)
6. Egorov Eugene (VESTA Bank)
7. Kozlov Ilya (AIM Capital)
8. Kuznetsov Gennady (Finam)
9. Lyakh Valery (Central Bank of Russia)
10. Masharov Evgeny (Association of forex dealers)
11. Piskulov Dmitry (Moscow Stock Exchange)
12. Samokhvalov Vladimir (Alfa-Bank)
13. Senina Anna (Thomson Reuter)
14. Skabelin Andrey (Moscow Stock Exchange)

External (non-member) invitees:

1. Katysheva Irina – Central Bank of Russia
2. Maiboroda Dmitry – Association of forex dealers
3. Meshcheryakov Vadim – VTB
4. Pinegina Elena – Central Bank of Russia
5. Safronov Alexey – Otkritie Bank
6. Tsarenko Alina – Rosbank

Total number of Council members – 27, number of participants present – 14 people. Additionally, 4 members have granted a power of attorney to the Chairman, Romanchuk Sergey.

A total of 18 numbers voted; this exceeds 2/3 of the total number of the Council members. The quorum requirement is therefore met.
AGENDA:


2. On the possibility of conducting trade practices in the Russian currency market in accordance with the principles of the Code.

3. On the position of Moscow FXJSC on the Global FX Committee meeting in Johannesburg on 27th of June 2018.

4. About an interest of market participants in the employees’ training so to prepare for the ACI exams.

DISCUSSION:

Item 1. Report “On codes of good conduct and standards and rules of good behavior”.

In the report, representatives of the Central Bank of Russia pointed out the formation of a culture of behavior as one of the priority areas of regulation of financial markets in the world. They also spoke about code of good conduct concept development, which should be discussed in autumn 2018. As basis, principles of the global currency market code (hereinafter – the Code) will be taken. However, it is assumed, that the code of good conduct – in general – will be uniform for all segments of financial market with the subsequent additions if taking into account the specifics of each of the segment.

Representatives of the Central Bank of Russia also described one of the possible implementation formats of how to put into practice the codes of good conduct – through basic and internal standards of self-regulating organizations (SRO). These organizations will also register participants; however, representatives of the Central Bank of Russia pointed out that the codes of good conduct must be accepted widely by professional community.

The participants discussed the importance of harmonization of the requirements of international regulators and Russian codes of good conduct, which are under development – what is especially important for banks with foreign participation. Representatives of the Central Bank of Russia stressed that they are ready to take the best practices of foreign regulators, including the FCA, and adopt it to the Russian market.

Further discussion was about participants practice formation of markup and information disclosure to a client (Principle 14). It was noted during the discussion that the Code does not require the size of the markup margin; however, the method of its formation should be transparent and quite clear to a client. Some of the participants were concerned about the possible impact of their compliance with the requirements of a number of principles of the Code on disclosure to their negotiating positions in the discussion terms of transactions with customers.

Participants also identified the impact of the competitiveness degree on the size of margins markup, and on inevitability to set the prices and charge on markups to customers on individual basis.
RESOLUTION:

1. Take into account an information from the Central Bank of Russia report.

Voting: for – 18, against – 0, abstained – 0.

Item 2. On the possibility of conducting trade practices in the Russian currency market in accordance with the principles of the Code.

Sergey Romanchuk presented the preliminary results of the survey conducted among members of the Council and members of the SRO NFA within the study of the possibility of bringing participants of currency market trading practices in accordance with the principles of the Code.

A number of thesis were expressed during the discussion, in particular, that the principles of the Code cannot be applied equally to different participants of the currency market and that the specifics of their business should be taken into account. As well as that compliance with the principles of the Code involves additional costs that could potentially result in an unequal market position those who committed to the Code in comparison with the others.

When discussing the ways to promote the Code among Russian participants, it was noted that in Western practice the sell-side is under pressure from the buy-side – from the point of view of the need for them to comply with the principles of the Code – while in Russian practice there is no such request from the buy-side.

The participants discussed separately value availability for the buy-side and infrastructure organizations joined the Code.

RESOLUTION:

2. Take a note of the vote middle results and include in the next meeting agenda of the Council a consideration of the final results of the vote.

Voting: for –18, against – 0, abstained – 0.


Sergey Romanchuk announced the agenda of the upcoming Global FX Committee meeting. However, he pointed out an outstanding issue of the Council representatives’ participation in the meeting.

RESOLUTION:

3. Take note of the upcoming Global FX Committee meeting agenda.

Voting: for – 18, against – 0, abstained – 0.
Item 4. About market participants interest in the question of employees training to prepare for ACI exams.

Sergey Romanchuk presented interim statistics on those who took part in the voting. The main result is a request absence for paid external training for the ACI FX Global Code exams (hereinafter – ACI exams) preparation with the largest share of participants in favor of employees self-training to exams. In addition, the voting participants pointed out the expediency of the ACI exams in Russian, as well as the possibility of testing inside organizations as an alternative to ACI exams.

RESOLUTION:

4. Take a note of the vote middle results and include in the next meeting agenda of the Council a consideration of the final results of the vote.

Voting: for –18, against – 0, abstained – 0.

OTHER BUSINESS.

At the end of the meeting the participants discussed the case with the HSBC Bank’s trader accused by American authorities in front-running while performing the client’s large GBP/USD order at the fixing. Participants considered this case from the point of view of the Code’s principles (Principle 11 – preliminary hedging), as well as through the prism of the current Russian practice. It is needed to establish communication with the Bank of Russia for timely informing the regulator about large client orders, the execution of which according to market conditions can significantly affect the price.

The Moscow FX Joint Standing Committee Chairman

Sergey Romanchuk

21.06.2018