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Cc: [GLO Commodities Regulatory](#)
Subject: CMCE Alert - Bank of England publishes FEMR final report
Date: Wednesday, June 10, 2015 2:26:47 PM
Attachments: [femrjun15.pdf](#)
[speech821.pdf](#)
Importance: High

Dear CMCE member,

Please be advised that the Bank of England has this afternoon published the final report of the Fair and Effective Markets Review (FEMR - attached). The Bank has also published remarks that Governor Carney will give to industry representative in London later today (attached). FEMR was ordered by UK Chancellor of the Exchequer G. Osborne on 12 June 2014 following a series of market abuse enforcement actions involving dealer banks and other market participants. FEMR was managed jointly by the Bank, HM Treasury and the Financial Conduct Authority (FCA).

The final report includes 21 policy recommendations under six headings to raise standards and improve regulation of so-called "Fixed Income, Currency and Commodities" (FICC) wholesale markets. These include:

- 1(a)** Proposed IOSCO standards for FICC market trading practices covering (a) bilateral relationships between firms, their counterparties and clients, (b) duty for all market participants to uphold market integrity, and (c) applicable competition law. These standards would be applicable to all market participants regardless of regulatory status.
- 1(b)** Minimum qualification and training requirements for "FICC market personnel" to include at least applicable regulatory standards, knowledge of competition law and asset class or industry-specific codes of conduct. Requirements would also include a to-be-specified continuous professional development.
- 2(a)** New FICC Markets Standards Board (FMSB), comprised of senior market and end-user representatives and tasked with preparing guidance on the above minimum qualification and training requirements, advising on trading practices and identifying emerging conduct risks.
- 3(b)** New UK civil and criminal market abuse regime for the spot foreign exchange (FX) market and prospectively other OTC instruments outside the scope of Regulation (EU) 596/2014 on market abuse (Market Abuse Regulation). This legislation would prohibit insider dealing and market manipulation, require firms to record orders and transactions, report suspicious transactions and orders and details of executed orders to clients.
- 3(d)** Amendments to Part V of the Financial Services and Markets Act (FSMA) to extend the Senior Managers and Certification Regimes (SM&CR) to a wider range of regulated FICC market participants. Applicable SM&CR elements would include regulatory pre-approval and Statements of Responsibility for senior managers, certification for personnel with critical functions and binding conduct rules for personnel. The final report does not propose extending the new SM&CR 'presumption of responsibility' requirement on regulatory breaches.
- 4(c)** New means to promote more and better self-assessments by benchmark administrators against the IOSCO Principles for Financial Benchmarks (PFBs).

While there are few specific references to physical and commodity derivatives trading, the final report identifies such trading as within "FICC markets" for the purposes of the above policy recommendations. The most significant amongst the policy recommendations is 3(d) concerning the SM&CR, as this may be applied to commodity market participants subject to MiFID 2 authorisation from 03 January 2017.

The FEMR team has identified international organisations and national competent authorities for each policy recommendation. The team will host an “open form” in London later this year and will report on implementation of the policy recommendations by June 2016.

Kind regards,

Conor

(On behalf of the Commodity Markets Council – Europe)

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