Codes and Examinations re FEMR

Q.29 – I strongly believe that there is – and has always been – strong guidance via Codes of Practice and Ethics and a suite of Examinations provided by the ACI based on both these. Codes and Market Practice need backing up by ALL levels of market participants. Too often Senior Management at ALCO level seem to choose to 'delegate' responsibility without trying to understand the powers they have delegated in any detail and only find out the consequences when things go horribly wrong. They have been guilty of ignorance and greed.

Q.30 – how can this situation be improved.....by making sure that Senior Members of the market sit these examinations rather than just pay lip-service to them and that a recommended percentage of ALCO members be established for passing them. Too often exemptions are given to "senior members" based on how many years they have been in the market without any requirement to sit the actual examinations (so-called "grandfathering") . To this end, the successful passing of these examinations should not be a recommendation but a requirement!

Q.31 – should there be professional qualifications – obviously my answer is a resounding " YES". Other Institutions can help here – FCA ;Series 7 and/or General Securities Representative Examination. These latter 3 can help but not replace ACI – based Dealing Certificate; ACI Diploma and Operations Certificate. Why not replace ACI's suite of examinations? Because the FCA at least goes beyond the needs of market participants in FICC markets with Legal and Accounting sections not relevant to them. Also both CFA and FINRA examinations tend to be biased towards operators in the USA – only ACI examinations are truly cross-border and market based.

Q.32 and Q 33 Any Code of Practice to be effective must be internationally recognised a**nd** Central Bank endorsed . The ACI has a Code of Practice and some Central Banks have recommended it to their market participants. The best of the major centres' local code UK/ACI itself/New York/Japan and Singapore – was extrapolated into a Model Code some years ago then updated in 2013 and I understand is under review again now. However, though covering "Best Market Practices" the Model Code was not legally enforceable across all the many time zones and countries where FICC markets existed. Similarly, although the Securities Institute in London was given access to the ACI examinations (including Model Code) the corporate i.e. non – bank sector although increasing in its activities and the size thereof has never had the same level of supervision/control as the bank sector.

There are still local variations to the ACI's Model Code which sometimes override the recommendations of the Model Code and – unfortunately for its credibility in my view – revisions to the Model Code have been too often entrusted to interns with little or no FICC knowledge.

Q.34 I believe the scope of regulation should be extended as stated above to the corporate sector.

Personal Summary

Having worked assiduously with the Forex Education Ltd,London in the setting up of examinations in the early 1980's and then attempted to ensure the relevance and professionalism of what we achieved was carried on by the ACI when they took over the responsibility for these examinations I have always had a strong interest in the establishment and maintenance of globally accepted examinations and Codes of Practice.

I have taught ALL the ACI examinations extensively across 4 out of the 5 continents and have beta-tested on behalf of the ACI changes to their examinations and have passed myself all their examinations.

I have also written 3 editions of a book on Back Office and Operational Risk.

Summary of my views

1. A Code of Practice along the lines of the ACI's Model Code – but endorsed, not just recommended by Central Banks should exist
    a. The subject matter of such a Code should be reviewed regularly and by experienced practitioners in the FICC markets NOT relegated to the "best efforts" of interns!
    b. If possible there should be legal enforceability of this code across all countries which sign up to the acceptance of the code and then backed by sanctions/fines if transgressed.
2. Professional qualifications should be available for those operating in FICC markets again along the lines of the ACI qualifications under Operations Certificate; Dealing Certificate and Diploma.
    a. The compilers of such syllabi MUST be credible market professionals not academics
    b. The syllabi must be more suited to the "target populations" mentioned in the ACI syllabi
    c. A legal requirement from the body that sets such examinations for both a minimum qualification before a dealer can enter a Dealing Room should exist and a minimum percentage expressed as a number and in seniority of ALCO members should also be set
    d. The scope of the examinations should be extended to the corporate sector with the same requirements for them as set under(2c) above for operators in banks.