



Foreign Exchange Dealers' Association of India

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FEDAI ADDENDUM TO FX GLOBAL CODE

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This document is adopted by FEDAI Managing Committee.

Code and Illustrations in this addendum is applicable to all market participants namely Banks, Fx Brokers and intermediaries providing Electronic Order Matching System (EOMS) or Multi Bank Portal (MBP) in Indian Fx Market.

The Fx Global Code along with this addendum (Fx Code of Conduct - 2017) shall come in force in Indian Fx Market with effect, on issuance separate notification which shall be notified soon in consultation of members and other stakeholders. The Fx Code of Conduct – 2017 shall replace the present FEDAI Code as soon as these new Code will be launched.

Ashwani Sindhwani
Chief Executive



Foreign Exchange Dealers' Association of India

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1. FOREX DEALERS' AND BROKERS' GUIDANCE COMMITTEE

1.1 A Special Committee named as "Foreign Exchange Dealers' and Brokers' Guidance Committee" is in place to serve as a forum where dealers and brokers could discuss matters of common interest concerning the inter-bank and international foreign exchange markets and problems arising between market participants.

1.2 The Chairman of FEDAI and the Chairman of Foreign Exchange Brokers' Association of India (FEBAI) would be the Chairman and Vice-Chairman respectively of this committee.

1.3 The Members of the Committee would consist of three representatives of banks and two representatives of brokers' Association to be chosen for their proven experience, reputation and knowledge of the markets.

1.4 The main functions of the Committee, broadly are:-

- a. To monitor developments in the markets so as to identify problems and difficulties and recommend solutions/action plans
- b. To issue guidelines on market practices
- c. To ensure that the 'Code of Conduct' formulated for Foreign Exchange Dealer in banks, brokers and all other market participants is properly adhered to by the respective participants, both in letter and spirit
- d. To investigate breaches of rules of conduct
- e. To recommend any action (including punitive measures) expedient in case of breach of rules/code of conduct committed by any foreign exchange dealer or broker and advise the recommended mode of action to Foreign Exchange Dealers' Association of India; and
- f. To attend to any other acts which may be necessary for the orderly growth and functioning of the market, dealers and brokers in the course of discharge of the functions vested in the Committee.

2. CONDUCT

2.1 Deals concluded after the back office has closed recording for the day (late deals), are to be marked as such and included in that day's position. A late deal slip must be passed immediately to an official un connected with the dealer.

2.2 Dealers, brokers, directors/partners/employees of market participants should acknowledge in writing that they have read, understood and would observe the Code of Conduct. It must be made clear to them that disciplinary actions could be taken against those who breach the code. All market participants should furnish an undertaking to confirm to the Code of Conduct.



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3. DIFFERENCES PAYABLE BY BROKERS

- 3.1 There may be occasions, particularly, in the fast moving foreign exchange markets, when a broker may not be able to substantiate his firm quotation where he has an obligation to do so, the broker should close the deal at the next available price and settle the difference between the 'firm' rate and 'settled' rate by issue of a cheque for the amount to that bank which has suffered the loss under cover of a letter stating the circumstances which necessitated such a settlement. He shall not attempt or agree to compensate the bank by promising favourable rates in future deals. FEDAI "Guidance Committee" should be kept informed of such instances by the broker as well as the banker for necessary record/action. In terms of Para 3.2 below, brokers shall operate on the specific instructions of dealers' and thus substitution of one bank by another in inter-bank contracts by brokers is prohibited.
- 3.2 Under the Reserve Bank of India guidelines brokers are prohibited from dealing on their own account. No broker shall maintain an 'exchange' position. Banks must promptly bring to the notice of the 'Guidance Committee' instances of brokers holding such positions.
- 3.3 While dealers may arrange to pick up deliveries under contracts directly to the extent possible, it shall be the duty of the broker to assist the dealers in the matter, when requested to do so but he shall not be responsible for any loss which the bank may incur due to delay in the delivery of funds, etc.

4. QUOTATION OF FICTITIOUS RATES

- 4.1 If any dealer/broker is found to be indulging in malpractices of quoting or encouraging fictitious or off market rate, the matter should be promptly brought to the attention of FEDAI Guidance Committee.

5. AFTER-HOURS DEALING

- 5.1 Banks should prescribe in writing dealing hours of the bank dealers (staggered hours, if necessary) keeping in mind the instructions of Internal Control Guidelines of Reserve Bank of India with regards to Hours of Business. Where one of the legs is Indian Rupee, the hours of business are to be as per FEDAI Rule Number 1.
- 5.2 There is a possibility that in the interbank market, deals may be concluded through brokers outside normal hours. To ensure the authenticity of such deals, the dealers as well as the brokers should arrange that such deals are confirmed immediately.



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5.3 Unless authorised by the management of the banks, no dealer should handle dealing operations after normal hours and in such cases, proper record of deals such as electronic/telex messages, time chart of rates etc. should be maintained.

6. BROKERAGE PAYMENTS BY BANKS

6.1 Brokerage bills shall not be passed for payment by dealers.

6.2 Dealers should not nominate brokers.

6.3 Bank dealers should not distribute brokerage among brokers who are not involved in the execution of a deal.

6.4 Under no circumstances shall the broker/intermediaries waive or offer to waive brokerage/fee payable by a bank on account of business concluded by him with that bank.

7. ENQUIRY INTO THE CONDUCT OF DEALERS / BROKERS

7.1 In case any instances of malpractice/(s) or/and breach of code committed by a market participant is/are brought to the notice of the FEDAI, the FEDAI may call for full details of such transactions which will be investigated. The report will be placed before Guidance Committee, which will recommend mode of action to FEDAI. The Managing Committee of FEDAI will initiate appropriate disciplinary action against delinquent bank dealer or a broker in case of infringement of the 'Code of Conduct'

8. PENALTIES

8.1 Any violation of the 'Code' by a broker or an intermediaries will make him liable for deterrent penalty upto the maximum of Rs.50,000/- exclusive of payment of any loss/damage caused to a bank by such violation. If such loss/damage to a bank caused due to an intermediary, the penalty may preferably be determined solely by an agreement between the bank and the intermediary. Collection and payment of such penalties from the brokers to FEDAI should be ensured by FEDAI. In addition, FEDAI may also suspend the concerned broker on the recommendation of the 'Guidance Committee'.

8.2 As far as bank dealers and intermediaries are concerned, any punishment or disciplinary action for violation of the 'Code' shall be taken by the concerned management on the basis of the decision of the 'FEDAI' and other relevant evidence made available.

8.3 Market Participant which are not subscribing to this Code shall not be permitted to participate in the market operations.



9. Illustrations

Additional Illustration on **Principal 9**, Market Participant should handle orders fairly and with transparency in line with capacities in which they act, **Principal 10**, Market Participant should handle orders fairly and with transparency and in a manner consistent with the specific consideration relevant to different order types and **Principal 14**, Mark Up applied to Client transactions by Market Participant acting as Principal should be fair and reasonable

9.1

A Market Participant, acting as a Principle, provides a USD/EUR quote to a Client. The Client requests to know the details or break-up of the quoted price. The Market Participant indicates that the price, including mark-up, is quoted taking into account appropriate factors, which may include risks associated with the transaction in question, market liquidity, transaction size, nature of client relationship with the Market Participant, the volume of trading activity with the Client or capital usage.

Market Participants should handle orders fairly and with transparency. In this example, the Market Participant has appropriately provided the factors that may be considered in providing the all-in price to the Client. The Market Participant has been transparent while handling the order by providing all relevant factors that may impact the price the Client has received.

9.2

A Client who has a documented Principal-based relationship with a Market Participant, asks the Market Participant for a quote to buy USD/INR. The Market Participant adds a mark-up of 0.90 INR to the quote provided to the Client. The Client asks for the mark-up number added and the Market Participant states that 0.50 INR has been added as mark-up.

Market Participants should handle orders fairly. In this example, the Market Participant has no obligation to disclose the amount of mark-up or expected revenue from a transaction or to provide components of the all-in price. However, if such disclosure is made, it must be truthful.