



September 20, 2017

Global Foreign Exchange Committee  
Secretariat  
*Sent via e-mail: lastlookfeedback@globalfxc.org*

RE: Request for Feedback on Last Look Practices in the Foreign Exchange Market

Dear GFXC Secretariat,

The Foreign Exchange Professionals Association (FXPA)<sup>1</sup> appreciates the opportunity to provide feedback to the Global Foreign Exchange Committee (GFXC) on the “last look” practices in the foreign exchange (FX) market, and particularly on Principle 17 of the FX Global Code.<sup>2</sup>

The FXPA’s activities focus on educating US and international legislators, regulators and central banks, the news media, and the general public, as well as coordinating with multinational organizations and trade bodies.

### **Principle 17 of the FX Global Code**

The Global Code language regarding hedging activity during the “last look” window notes that “the trading activity that utilizes the information from the Client’s trade request, including any related hedging activity, is *likely* inconsistent with good market practice.”<sup>3</sup> The GFXC adds that such language addresses concerns that hedging activity during the “last look” window could be to the Client’s detriment.

The FXPA believes that deleting the word “likely” from the above-mentioned language would have the effect of creating a more categorical statement that hedging during the window is inconsistent with good market practice. Indeed, the FXPA notes that there could be instances where pre-hedging during the “last look” window would be acceptable. Moreover, we agree

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<sup>1</sup> The FXPA represents the collective interests of professional FX industry participants, including buy-side, exchanges and clearing houses, trading platforms, technology companies, banks and non-bank market participants, among others, to advance a sound, liquid, transparent and competitive global currency market to policymakers and the marketplace through education, research and advocacy. The following comments do not represent the specific individual opinion of any one particular member. For more information, please see [www.fxpa.org](http://www.fxpa.org).

<sup>2</sup> GFXC, *Request for Feedback on Last Look Practices in the Foreign Exchange Market* (May 25, 2017), [https://www.globalfxc.org/docs/consultation\\_process.pdf](https://www.globalfxc.org/docs/consultation_process.pdf).

<sup>3</sup> *Id.* [emphasis added].

with the concept of the current language effectively creating a presumption that the activity could disadvantage the Client, while not categorically “outlawing” it.

Understanding that the “likely” language effectively creates a presumption, it follows that the presumption can be rebutted. Thus, we believe it would be up to the dealer to rebut, to its Client’s satisfaction, the presumption that their hedging of the Client’s orders during the “last look” window is harming the Client.

We recommend that the GFXC consider including additional language in Principle 17 which clarifies that: (a) there is an existing presumption that a dealer’s trading activity that uses information from its Client’s trade request could negatively impact its Client, (b) such presumption may be rebutted by the dealer, and (c) the Client, in seeking such rebuttal, may request information from the dealer in order to make the determination of whether its activity is actually harming it.

### **Proposed Language**

Reflecting the recommendations outlined above, the FXPA proposes the following change to the language under consideration:

**During the last look window, trading activity that utilizes the information from the Client’s trade request, including any related hedging activity, is likely inconsistent with good market practice because it may signal to other Market Participants the Client’s trading intent, skewing market prices against the Client, which (1) is not likely to benefit the Client, and (2) in the event that the Market Participant rejects the Client’s request to trade, constitutes use of Confidential Information in a manner not specified by the Client. A Market Participant should be prepared to provide data and other information to the Clients in order to enable the Clients to make a risk determination as to whether the Market Participant’s trading activities during the last look window actually benefits the Clients.**

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Should the GFXC wish to discuss these comments further, please contact the undersigned at [chairman@fxpa.org](mailto:chairman@fxpa.org).

Sincerely yours,



Chip Lowry  
Chairman