Julius Bär

Bank of England
Fair and Effective Markets Review
FEMR
Threadneedle Street
London, EC2R 8AH
United Kingdom

Zurich, 30 January 2015

FEMR Response

Dear Sirs

Reference is made to the Bank of England's Consultation Document dated October 2014 regarding Fair and Effective Markets Review (FEMR). First of all we would like to thank you to get the opportunity to provide you with our views and our input on the topic.

Our below statement is made on behalf of Bank Julius Baer & Co. Ltd., Zurich Cantonal Bank (ZKB) and LGT Bank, Vaduz, and is limited to the questions Q32 and Q33 on pages 41/42 of the FEMR.

Q32: What role can market codes of practice play in establishing, or reinforcing existing, standards of acceptable market conduct across international FICC markets?

A32: We are of the opinion that market codes of practice may play a very important role in establishing standards of common, acceptable market conduct across fixed income, currency & commodities markets. The FICC market participants should take the opportunity to establish and/or reinforcing such a framework, thereby striving for acceptance of the rules by the various regulators worldwide. We are convinced that rules and regulations set up by self-regulatory bodies are more suitable for the market in terms of acceptance by the market participants, swift implementation and adaptation on a changing market development.

The Financial Markets Association ACI as a worldwide recognised self-regulatory body, for example, implemented its Model Code which is designed to have global application to OTC professional financial product markets. The ACI proposes to provide employers and individual

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market practitioners in the wholesale financial markets with high-quality accredited continuous professional development, helping the industry reclaim professional standards in a sustainable manner.

Q33: How would any code tackle the design issues discussed in Section 5.4.3, ie: how to ensure it can be made sustainable given industry innovation over time? How to differentiate it from existing codes? How to give it teeth (in particular through endorsement by regulatory authorities or an international standard setting body)? How to communicate it to trading teams? Whether, and how, to customise it for individual asset classes?

A33: The ACI Model Code has global coverage, however it is not yet universally adopted. We do see merit in developing one single, global approach across the relevant FICC markets, thereby basing on *one* global standard of market practice. This standard should be principle-based, practical and easy to understand for daily use by the market participants.

The ACI's vision is to be recognised as *the* Financial Markets Association of choice for regulated wholesale market participants engaged with financial instruments or in various activities conducted within their institution's dealing/trading business or in a directly related markets area. This will be accomplished by way of the ACI's globally recognised leadership on ethical conduct, best practice, education and testing, and supported through its opportunities to connect to, and represent, the industry in a non-partisan way.

An important pillar of the ACI's activities is the offering of a sustainable learning portal where market practitioners, certified or not, continuously are challenged to test their ethical conduct against market best practice as part of their ongoing on the job learning and exposure to ethical conduct in the financial markets. Throughout the year, practitioners can earn ACI Model Code accreditation by completing learning modules, scenarios and self-assessment annually. Each year licensees must complete official assessment questions to renew their ACI Model Code Certificate.

Specific input from ZKB: Each trader in the OTC products teams has to sign once a year to have read and understood the ACI Model Code and to follow its principles.

Specific input from LGT: LGT trading / treasury has implemented the ACI Model Code and each trader is obliged to follow its principles. ACI certificate and diploma are important components for qualification and promotion within the bank.

Aside from the three mentioned banks also other market participants in Switzerland have implemented the ACI Model Code and obligate their trading employees to follow it, including respective compliance controls.

The Model Code Learning Portal is continuously updated with new learning content, self-assessment questions, model code updates and official exam questions, sourced from market

practices, converted into learning content and distributed to licensees, contextualized to industry sector, job roles or experience levels. The solution offers a true up-to-date transparent "industry sourced" compliance learning portal. Institutional compliance departments can moderate and monitor standards in their organization and report to their management teams their organization is meeting industry standards constantly, individual market participants can earn accreditation to increase their market value and promote their professionalism and expertise.

We are persuaded that these activities do significantly contribute to establish better standards of market practice. The AIC aims at all relevant global regulators formally endorse the ACI Model Code in order to give it the necessary vigour.

We hope that this input serves your purposes. Please do not hesitate to contact us for any further discussion.

Yours sincerely
Bank Julius Baer & Co. Ltd.

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Managing Director
Global Head Foreign Exchange

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Executive Director
Head Legal Markets & Custody

Copy to:

- Zurich Cantonal Bank
- LGT Bank, Vaduz
- ACI Financial Markets Association International, Mr Marshall Bailey, President