

# BIS Global Foreign Exchange Code Disclosure

## FOREIGN EXCHANGE CLIENT COMMUNICATIONS

## FOREIGN EXCHANGE GLOBAL CODE DISCLOSURE

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### Background

The FX Global Code [https://www.globalfx.org/adopting\\_the\\_global\\_code.htm](https://www.globalfx.org/adopting_the_global_code.htm) was first published by the Global Foreign Exchange Committee in May 2017 to address shortcomings and restore confidence in the global foreign exchange market. The Global Foreign Exchange Committee assesses regularly whether foreign exchange developments warrant specific revisions to the FX Global Code and when appropriate, continue to issue standards to meet specific circumstances in local markets. The FX Global Code promotes a robust, fair, liquid, open and transparent market. Its fifty-five principles are broadly split into six categories: Ethics, Governance, Execution, Information Sharing, Risk Management and Compliance, and Confirmation and Settlement and is earmarked to offer a single blueprint and global code of conduct in the wholesale foreign exchange market.

First National Bank Ghana Limited is active in the wholesale foreign exchange market as a significant market participant (as defined in the FX Global Code). First National Bank Ghana Limited believes in maintaining the highest levels of ethical behaviour, prudent risk taking, uncompromising risk management and operational excellence and its employees are expected to maintain the utmost ethical standards from a business and personal perspective. First National Bank Ghana Limited will uphold best business practices across the foreign exchange value chain and to its clients. As a regulated entity, First National Bank Ghana Limited adheres to applicable rules and regulatory requirements and where appropriate, follows international best practices.

### STATEMENT OF COMMITMENT

As a registered and authorised market participant, First National Bank Ghana Limited has taken the necessary and appropriate steps to align, uphold, maintain and execute all wholesale foreign exchange market activities in accordance with the fifty-five principles set out in the FX Global Code. To this effect First National Bank Ghana Limited has published a Statement of Commitment to comply with the FX Global Code <https://www.firstnationalbank.com.gh/downloads/Ghana/StatementofCommitmenttotheFXGlobalCode.pdf>

First National Bank Ghana Limited undertakes to uphold the six leading principles of the FX Global Code:

1. **Ethics:** To behave in an ethical and professional manner to promote the fairness and integrity of the foreign exchange market.
2. **Governance:** To have a sound and effective governance framework for its FX Market activity and to promote responsible engagement in the foreign exchange market.
3. **Execution:** To exercise care when negotiating and executing transactions in order to promote a robust, fair, open, liquid and appropriately transparent foreign exchange market.
4. **Information Sharing:** To be clear and accurate in its communications and to protect confidential information that supports a robust, fair, open, liquid and appropriately transparent foreign exchange market.

5. Risk Management and Compliance: To promote and maintain a robust control and compliance environment to effectively identify, manage and report on the risks associated with its engagement in the foreign exchange market.
6. Confirmation and Settlement Processes: To put in place robust, efficient, transparent and risk-mitigating post-trade processes to promote the predictable, smooth and timely settlement of transactions in the foreign exchange market.

The remainder of this document reflects First National Bank Ghana Limited's approach to upholding the Execution Principle in the delivery of its foreign exchange offering in the wholesale foreign exchange market.

These disclosures apply to foreign exchange business executed with First National Bank Ghana Limited via all execution channels, including telephonic, electronic or digital platforms by wholesale clients. These disclosures do not apply to the supply of banknotes as may be required by certain customers from time to time. The disclosures made by First National Bank Ghana Limited in this document supplement and are in addition to product disclosures such as the Foreign Exchange Terms and Conditions agreed to by clients and published on the website <https://www.firstnationalbank.com.gh/downloads/Ghana/FNBGForeignExchange.pdf> as applicable. In the event of any conflict between the content of this communication and any terms and conditions to which a transaction is subject to, the latter will prevail.

## KEY DISCLOSURES

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### Principal Trading

First National Bank Ghana Limited acts in a principal capacity when entering into foreign exchange transactions with clients. As such First National Bank Ghana Limited enters into foreign exchange trades on an arm's-length basis. In foreign exchange markets First National Bank Ghana Limited does not act as agent, fiduciary, financial adviser or in any other similar capacity, nor does First National Bank Ghana Limited provide any regulated advice to clients in this market.

First National Bank Ghana Limited acting as principal, may take risks such as credit risks and varying degrees of market risk. First National Bank Ghana Limited has no obligation to execute a transaction until both parties agree. When accepting an order, First National Bank Ghana Limited acting as principal may exercise discretion in executing the order, reasonably, fairly and to not disadvantage a client in any way. As a significant market participant, First National Bank Ghana Limited continually executes client transactions which introduce risk to First National Bank Ghana Limited given that it trades as a principal. As such First National Bank Ghana Limited is continually active in the market in order to manage its overall risk profile.

### Pre-Hedging Practices

The Global Foreign Exchange Committee has clarified that Principle 11 of the FX Global Code relating to pre-hedging practices is not meant to apply to situations where the liquidity provider is managing their ongoing inventory risk by anticipating general order flow, including the risk management of reasonably expected near term demand. Further, it has clarified that Principle 11 covers anticipated client orders that are large relative to the available liquidity in the market at the time of the order and that could have a significant market impact.<sup>1</sup>

As a significant market participant, First National Bank Ghana Limited manages ongoing inventory risk by anticipating general order flow. FNBG, however, does not engage in pre-hedging as contemplated by the Global Foreign Exchange Committee unless it acts as principal and the Client is informed and consents to this practice.

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<sup>1</sup> Global Foreign Exchange Committee: Commentary on Principle 11 and the role of pre-hedging in today's FX landscape, July 2021, [https://www.globalfxc.org/docs/commentary\\_principle\\_11\\_role\\_prehedging.pdf](https://www.globalfxc.org/docs/commentary_principle_11_role_prehedging.pdf)

Any such activity will be by exception, will not disrupt market functioning, and will be with the intent to deliver the best client outcome possible in prevailing market conditions.

## Last Look

First National Bank Ghana Limited utilises last look in Electronic Trading Activities whereby First National Bank Ghana Limited has a final opportunity to accept the quoted price. First National Bank Ghana Limited applies transaction validation and price checks with the intent to minimize the time taken to do so. If last look validation is triggered, a trade may be rejected. An automated response will be communicated to the client through the execution trading platform on which the client traded to inform the client that the trade was rejected. Last look is operated under a zero-length hold window, which means when a trade is received, First National Bank Ghana Limited's pricing engine will immediately perform any checks for price movement at the time of the incoming order against the current rate and apply the decisioning. The application of the price check feature of last look allows First National Bank Ghana Limited to manage, control and validate latencies and protect First National Bank Ghana Limited from adverse trading behaviour and market conditions. Where last look is applied this is done symmetrically to the client and First National Bank Ghana Limited. The validity check is applied to ensure compliance to credit, market risk and other risk factors for the transaction. First National Bank Ghana Limited recognises that there may be latency between the client's execution system, the chosen trading venue and the network connectivity to the venue. First National Bank Ghana Limited is only able to act on what is within First National Bank Ghana Limited's control, which is the time it takes for First National Bank Ghana Limited to respond once an order is received by its system. First National Bank Ghana Limited believes in full transparency and will engage with the client in unpacking the latency value chain.

Last look is applied at execution level across venues and clients are informed about last look. A client cannot opt out of last look unless the client selects to trade via a different channel or execution style where last look is not applied. Should the need ever arise to deviate from a zero-length hold time approach, First National Bank Ghana Limited will do so with full disclosure to clients of the rationale and parameters of such changes.

## Orders, Order Aggregation and Use of Discretion

### Orders

As principal for the managing and execution of client orders, First National Bank Ghana Limited is committed to ensure all orders receive due care and are filled on a first-in and best-efforts basis, are taken as firm and good until cancelled by the client (unless the client requests a specific expiry time and date limit) and are only executed based on agreed terms. Where a trade is executed in error away from the prevailing market, due to an autofill or operational failure. First National Bank Ghana Limited reserves the right to invalidate and cancel the trade.

Various factors may affect First National Bank Ghana Limited's execution, which would typically include positioning, whether First National Bank Ghana Limited in managing the client orders is itself taking associated risk and prevailing liquidity and market conditions; other client orders and or trading strategy may also affect the execution policy. Unless otherwise specifically agreed, First National Bank Ghana Limited will exercise its reasonable discretion in deciding whether to work an order; which orders it is willing to execute; when First National Bank Ghana Limited will be willing to execute the orders; how First National Bank Ghana Limited executes the orders; and whether to execute all or part of the order. Discretion may be applied for aggregation in the client's best interests to net-off opposite positions in times of extreme market stress.

Orders are triggered by the market rate as determined by First National Bank Ghana Limited and may therefore be subject to slippage due to liquidity and the timing of the order. When First National Bank Ghana Limited acts as principal this implies that the actual rate derived will be a client rate considering the aforementioned factors, and not the rate at which the order was placed at. Orders left on a principal basis may also be subject to margin.

First National Bank Ghana Limited has clear restrictions and other requirements which may apply to the use of electronic quotations via First National Bank Ghana Limited's electronic trading platforms. Market risk transfers when the trade is filled and executed. When leveraging multiple liquidity providers to manage First National Bank Ghana Limited's foreign exchange risk, the market data policies pertaining to those providers may be made available to the clients upon request.

### **Time Stamps**

All orders received via FX Electronic-Trading Platforms or electronically are time stamped when the orders are received and captured onto the electronic channel. The orders will be time stamped, again at the time they are accepted, triggered or executed. Clients can view all orders on the platforms and First National Bank Ghana Limited sends a weekly reminder of open orders and long dated foreign exchange contracts.

### **Stop Loss Orders**

First National Bank Ghana Limited may provide Stop Loss Orders to qualifying clients on a principal basis. Stop Loss Orders are triggered by the market rate determined by the trading desks. Stop Loss Orders may be subject to slippage due to liquidity and general market depth at a point in time, as well as the timing of the placement of an order on a 'first in first filled' principle. Clients will receive the rate at which First National Bank Ghana Limited is able to trade which may be subject to a mark-up, and not always be executed at the rate at which the trade was placed.

### **Use of Reference Prices**

First National Bank Ghana Limited calculates internal market rates using the rates published by various global liquidity providers which provides a better indication of the actual ability to execute. First National Bank Ghana Limited leverages a number of liquidity sources to determine its core prices.

### **Mark Up and Fair Pricing Standards**

Various factors influence the price disclosed to clients. Market factors such as liquidity and volatility which determine the market bid/offer spread and internal factors such as costs and risk. The final price may be inclusive of mark up and different clients may receive different prices. Mark up may impact the pricing and/or execution of any order linked to or triggered at a specific level. Mark up may be influenced by available liquidity and order processing sequencing (first in first out) which may add slippage. Prices are fair and reasonable considering applicable market conditions and internal risk management practices and policies.

In addition to the reference price, additional factors are used to determine a client mark up, including, but not limited to, cost of execution, annual turnover, trade size, credit risk, channels used and the client's overall banking relationship with First National Bank Ghana Limited.

Factors which may influence client mark-up include:

1. Fixed and variable costs are incurred by FNBG associated with the provision of foreign exchange;
2. Fixed and variable costs relating to market liquidity and operational complexity;
3. Operational and Compliance costs associated with the implementation of controls and mitigation measures;
4. Credit risk associated with a client and the implicit ability to honour settlement obligations in the future;
5. Balance sheet and regulatory friction costs; and
6. Pricing may be determined using a portfolio valuation of a client's commercial activity with FNBG.

## Aggregation Services

First National Bank Ghana Limited does not provide algorithmic trading or aggregation service to its clients, though may use these services when trading for its own account as principal.

## Use of Liquidity Sources

All liquidity sources represent First National Bank Ghana Limited relationships established with global banks and non-banks as well as primary market venues. Any trading with these liquidity providers is to offset risk exposure for First National Bank Ghana Limited and falls within First National Bank Ghana Limited's responsibility as a principal. Clients may request information from their dealer to understand how any orders were managed.

## Market Colour

First National Bank Ghana Limited provides market colour by sharing flow information on an anonymized and aggregated basis only. The views shared by First National Bank Ghana Limited are on the general state of and trends in the market. First National Bank Ghana Limited's communication will not include any specific client names, or the identity or trading patterns of any specific client. First National Bank Ghana Limited will not solicit confidential information when providing market colour communications.

## Client Confidentiality

First National Bank Ghana Limited compliance policies and procedures are in place to ensure its employees protect proprietary, confidential and personal information of First National Bank Ghana Limited and its clients. First National Bank Ghana Limited's Compliance department monitors employees with respect to unauthorised transmission or use of such information. The privacy notice is accessible through First National Bank Ghana Limited's website at [Privacy Policy | Legal matters | FNB \(firstnationalbank.com.gh\)](#) which sets out how FNBG processes client personal information.

## Communication Method

First National Bank Ghana Limited's clients may execute foreign exchange transactions either on electronic platforms or telephonically. If clients use electronic platforms to execute trades, the client understands if the order is accepted, the order will only be actioned once the communication has been read and acknowledged by an authorised representative of First National Bank Ghana Limited.

## The Way Forward

Clients should independently evaluate the appropriateness of a foreign exchange transaction for their own needs. This evaluation should include, but should not be limited to, exchange control implications and the relevance of foreign exchange transactions to their business activities.

First National Bank Ghana Limited has a responsibility to constantly meet regulatory and governance obligations. First National Bank Ghana Limited believes that as a significant market participant, it has a responsibility to ensure it upholds the highest levels of ethical standards and conduct.

First National Bank Ghana Limited has clear standards and policies in place which strive for the fair treatment of its clients and the management of conflicts of interest. First National Bank Ghana Limited's standards, policies and procedures are reinforced internally with regular specific compliance training and awareness campaigns.

First National Bank Ghana Limited is represented by its employees in industry forums and committees in the wholesale foreign exchange and other markets, both locally and internationally, to recommend and support higher ethical standards.

Want to know more?

Kindly contact your foreign exchange dealer or relationship manager to learn more about how the new FX Global Code impacts your business. A copy of this disclosure is also available at:

<https://www.firstnationalbank.com.gh/downloads/Ghana/StatementofCommitmenttotheFXGlobalCode.pdf>