

LMAX EXCHANGE CALLS FOR UK TO LEAD GLOBAL REGULATORY CHANGE IN THE \$5.3 TRILLION FX INDUSTRY

London, 11 July 2016: LMAX Exchange, the leading Multilateral Trading Facility (MTF) for FX and one of the UK's fastest growing fintech companies, is calling for UK financial regulators to show worldwide leadership and deliver on the FEMR objectives to improve transparency in the FX market, set out by the Chancellor of the Exchequer and the Governor of the Bank of England in June 2014.

This call to action comes at a time when the market sentiment still suggests a lack of trust in FX trading, the world's largest asset class, and at a crucial juncture for the UK government's aim to protect UK's leading position in the global financial markets.

LMAX Exchange believes that there is more urgency than ever for the UK regulators to lead with impactful reforms to improve transparency and fairness in the global FX market and put an end to the two-year regulatory inertia. This is supported by the industry survey findings, detailed in the newly launched report by LMAX Exchange.

[*'The road to FX reformation: Restoring trust – a second look at market progress'*](#) report highlights that the FX market participants do not believe that much has changed in the last two years, question the ease of implementing the Code of Conduct on a global scale and want to see the end to FX market practices that are open to abuse, such as 'Last Look'.

As a result, LMAX Exchange is calling on the FCA, the Bank of England and HM Treasury to use the FEMR process and to drive the global FX regulatory agenda through introduction of new industry standards and a commitment to a clear timeline for ridding the market of practices open to abuse.

This mirrors the earlier set out objectives by the Fair and Effective Markets Review to "reinforce the confidence in the wholesale Fixed Income, Currency and Commodities (FICC) markets in the wake of serious misconduct seen in recent years; and to influence the international debate on trading practices."

The market survey findings presented in *'The road to FX reformation'* report highlight:

FX market's disillusion with regulatory initiatives over the last two years:

- 65% of the respondents don't believe they get fair execution when trading FX
- Over 60% doubt the impact of the global code of conduct, expecting potential conflict with local regulations
- A majority believed that transparency had not improved since the FEMR review

Clear signal that 'Last Look' must go:

- Findings highlighted the extent to which the use of 'Last Look' is open to abuse – 50% of respondents said that they were not aware of this practice
- 76% of aware respondents preferred to trade without 'Last look'
- 62% of aware respondents said 'last look' is the most unacceptable market practice

Industry's view on what can improve transparency:

- 78% believed that 'Last Look' should be abolished
- 77% said that FX should move to rules-based regulated trading environment
- 71% of respondents believed that FX trading should move to execution-only venues

These findings show that the ongoing campaign by LMAX Exchange to rid the market of practices that damage trust, like 'Last Look', is as relevant as ever. The Global Code of Conduct has been welcomed but market sentiment, demonstrated through the survey, suggests that the global FX industry is not convinced of its potential impact.

As a result of the survey, LMAX Exchange calls on the regulators to:

1. Define how a transparent and fair FX trading environment should work by being specific about the required business model, trading rules and market practices
2. Commit to a clear action plan for change with a timeline that includes the abolition of market practices open to abuse
3. Appoint and empower the delivery body (regulatory, industry or a mix of both) to implement the transparent state of the FX market within a specified timeframe

David Mercer, CEO of LMAX Exchange, comments, "It is clear that restoring trust is the biggest challenge that the global FX industry faces. Fines for market abuse have continued since we last provided an in-depth survey of the market and the Global Code of Conduct has been launched to a lukewarm reception and only addresses the 'voice market', just 30% of the industry. The easy questions have been answered, with the hard ones yet to come.

As a result, we are calling on the UK regulators to show global leadership in current uncertain times and abolish 'Last Look' among other practices that are open to abuse. This requires a clear timeline and action plan, significant revision to the composition of the working groups and a total focus on the ways that technology can make the global FX industry work more effectively.

These findings should concern those seeking to reform the FX market. FX can only thrive as a liquid, global and essential market that it should be if it engenders trust among all market participants.

This research shows that the market still has a long way to go to win back trust and there needs to be greater focus and urgency to address the major issues at play. This is being brought under even sharper focus with the exceptional global uncertainty following the UK's Leave vote in the EU Referendum."

To download the report please go to: www.lmax.com/fx-reformation

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Notes to Editors: for more information, please contact:

Seven Hills: **Tom Nutt** +44 20 7199 6191 imax@wearesevenhills.com

LMAX Exchange: **Barbara Pozdorovkina** +44 20 3192 2510 press@imax.com

About 'The road to FX reformation' report:

The report is based on the findings from the market survey, conducted by LMAX Exchange in April-May 2016. To ensure representation of the whole FX industry, this survey was distributed to all three market segments, including banks, institutional and professional proprietary traders, receiving over 1,100 responses. In the analysis, the respondents were grouped into three categories:

- Banks: dealing and non-dealing banks
- Non-banks: asset managers, brokers, financial institutions and funds
- Professionals: proprietary traders

About LMAX Exchange:

Recognised amongst the UK's fastest growing technology firms in the UK for three consecutive years (2015 Winner Deloitte UK Technology Fast 50, 2015-2013 Sunday Times, Tech Track 100), LMAX Exchange is the leading MTF for FX, authorised and regulated by the FCA. Servicing retail brokers, funds, corporates, asset managers and banks, LMAX Exchange delivers a unique vision for global FX trading - a transparent, neutral, level playing field for all market participants, regardless of status, size or activity levels.

The LMAX Exchange OPEN order book is driven by streaming, no 'last look' limit orders supplied by General Member liquidity providers. LMAX Exchange offers a range of key products, including spot FX, precious metals, commodities and equity indices, with complete pre and post-trade transparency and exchange quality execution, where orders are executed in strict price/time priority.

LMAX Exchange – the emerging benchmark for global FX.

Awards:

#1 Fastest Growing Tech Company in the UK – 2014 Sunday Times Tech Track 100

2016-2013 Best Margin Sector Platform - Profit & Loss Readers' Choice Awards
2016-2013 Best FX Trading Venue - ECN/MTF - WSL Institutional Trading Awards
2015 Deloitte UK Technology Fast 50
2015 #6 Fastest Growing Tech Company in the UK - Sunday Times Tech Track 100
2014 Best Infrastructure/Technology Initiative - WSL Institutional Trading Awards
2013 #15 Fastest Growing Tech Company in the UK - Sunday Times Tech Track 100
2013 Best Overall Testing Project - The European Software Testing Awards
2013 Best Executing Venue - Forex Magnates Awards
2011 Best Trading System - Financial Sector Technology Awards
2011 Oracle's "Duke's Choice" - Innovative Programming Framework Award

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