



BANK OF ENGLAND

News release

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Oversight Committee publishes report on role of Bank officials in relation to conduct issues in the foreign exchange market

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The Oversight Committee has today published an independent report by Lord Gribner QC. This follows his investigation into whether, between 2005 and 2013, any Bank of England official was involved in, or aware of, conduct issues in the foreign exchange (FX) market.

The key findings of Lord Gribner's report are:

- There was no evidence that any Bank of England official was involved in any unlawful or improper behaviour in the FX market.
- A substantial part of the FCA's investigation, also announced today, concerns FX traders sharing confidential information, including aggregated information about client orders, which was then used for improper behaviour. No Bank of England official was aware that this improper behaviour was happening.
- One Bank official was aware that bank traders were sharing aggregated information about client orders for the purpose of 'matching' – a practice that is not necessarily improper, but can increase the potential for improper conduct – and was uncomfortable with the practice in that it could involve collusive behaviour and lead to market participants being disadvantaged. Notwithstanding those concerns, the Bank official did not escalate the matter to an appropriate person.
- This constituted an error in judgment that deserved criticism, but such criticism should be limited in that the individual was not acting in bad faith, nor was the individual involved in any unlawful or improper behaviour, nor aware of specific instances of such behaviour.

With the full cooperation of the Bank of England, Lord Gribner's investigation extracted, and applied search terms to 1.8 million documents, and reviewed nearly 66,000 documents; it extracted, and applied search terms to 87,000 telephone calls, and reviewed 6,700 calls or call extracts; it also conducted interviews with

10 current and former Bank officials and 18 non-Bank individuals. Lord Grabiner was also provided with assistance from the FCA, including descriptions of the types of misconduct it has been investigating, and the provision of documents which would not otherwise have been available to his investigation.

Lord Grabiner was also asked by the Oversight Committee to put forward any recommendations that he felt necessary to improve processes and procedures at the Bank. He has made three recommendations:

1.Documentation: It is recommended that the Bank reviews whether the steps it has taken through changes to its record management policy will ensure that sufficient minutes will be taken and distributed of meetings, such as those of the Chief Dealers subgroup (CDSG).

2.Education: It is recommended that any Bank official working in connection with the foreign exchange market should receive continuing training in the non-investment products (NIPs) code – a voluntary code of conduct for principals and broking firms in the wholesale markets, or if the Government decides to regulate the FX market, the relevant regulations.

3.Clarity over systems and controls around the Bank’s market intelligence role: The Bank should more clearly explain to market participants its market intelligence role and how it uses intelligence gathered from the market; the Bank should set out a formal written policy clearly stating that market intelligence cannot be used for trading purposes, and should also provide staff with regular training on that policy; the Bank should review its controls around market intelligence being, intentionally or not, passed to other market participants; the Bank should regularly review its escalation policy and Bank officials with market intelligence roles should be given training about improper conduct.

The Bank’s Executive endorses these recommendations and intends to implement them in full and as quickly as possible.

Anthony Habgood, Chairman of Court and of the Oversight Committee said: “The Oversight Committee thanks Lord Grabiner for his thorough investigation and clear findings, and we welcome his recommendations. The Oversight Committee strongly endorses these recommendations and Court will oversee the executive’s implementation of them in a full and timely manner. The Bank of England stands at the heart of the UK financial system, and must at all times hold itself to the highest standards for conduct, fairness and ethical behaviour. This is vital in maintaining the public trust in our mission to maintain monetary and financial stability.”

Notes to Editors

1. Lord Grabiner's final report: Bank of England Foreign Exchange Market Investigation can be found on the Bank's website.

2. Lord Grabiner wishes to acknowledge the support provided to him in his investigation by Adam Rushworth of One Essex Court, and the law firm Travers Smith LLP.

3. The Terms of Reference for Lord Grabiner's investigation were published on 12 March 2014.

4. Lord Grabiner QC is a commercial lawyer with a substantial court and advisory practice. For over 40 years he has been involved in much of the highest profile commercial litigation that has been fought in London. Specialising in banking & finance, oil & gas, civil fraud, competition and company disputes, Lord Grabiner is highly experienced both as an advocate and also an arbitrator in domestic and international arbitrations. He has been Head of Chambers at One Essex Court (a leading set of Commercial Law Chambers) since 1994.

5. In October 2013, the Bank's Governors initiated an extensive internal review into allegations that Bank of England officials condoned or were informed of manipulation in the foreign exchange market or the sharing of confidential client information. In March 2013, the Oversight Committee took over responsibility for the investigation from that point onwards.

6. The Oversight Committee was created by the Financial Services Act 2012, and consists of all the Non Executive Directors of the Bank of England. In accordance with section 3C of the Bank of England Act 1998, the Oversight Committee has the power to commission reviews by an independent person. It was on this basis that the Oversight Committee instructed Lord Grabiner to conduct his investigation.

7. The FCA today published the results of its investigation into trading on the foreign exchange market - see <http://www.fca.org.uk>

Key Resources

 [Bank of England Foreign Exchange Market Investigation - A Report by Lord Grabiner QC](#)