ADDITIONAL

Illustrative Examples

The examples provided in the Global Code are intended to illustrate the principles and situations in which the principles could apply. The examples are highly stylised and are not intended as, nor should be understood or interpreted as, precise rules or prescriptive or comprehensive guidance. Moreover, the examples are not intended to provide safe harbour nor are they an exhaustive list of situations that can arise; in fact, it is expressly understood that facts and circumstances can and will vary. In some examples, specific market roles are used to make the example more realistic but the illustrated behavior applies to all Market Participants.

The examples are grouped under leading principles based on the key principle that is being illustrated. However, in many cases a number of leading principles may apply to each illustrated example. Examples marked by an "**x**" illustrate conduct to be avoided; examples marked by a "✔" illustrate conduct that the Global Code aims to foster and reinforce. The Examples Annex can be expected to be updated over time as features of the FX Market evolve.

Similar to other sections of the Global Code, these illustrative examples should be interpreted by Market Participants in a professional and responsible manner. Market participants are expected to exercise sound judgement and to act in an ethical and professional manner.

As the GFXC continues its work to maintain the Code in the context of an evolving foreign exchange market, additional illustrative examples may be shared on the GFXC website in advance of being incorporated into the next version of the FX Global Code.

EXECUTION

Market Participants employing last look should be transparent regarding its use and provide appropriate disclosures to Clients. (PRINCIPLE 17)

✘ A Client requests to sell 50 million EUR/USD with a Market Participant (Bank A) at the price quoted to them by Bank A. The Client makes their trade request on the understanding that Bank A will not take on market risk in connection with the request and will only fill the request by first entering into offsetting transactions in the market. During the last look window, Bank A sends a trade request to another Market Participant (its liquidity provider) to sell 50 million EUR/USD. This trade request is accepted by the liquidity provider. During the last look window, the market moves lower. Bank A fills their Client for 45 million EUR/USD, rather than for the full 50 million it transacted, rejecting the remaining 5 million. Bank A closes out their remaining 5 million short position in the market at a lower price.

Market Participants that utilise the information from trade requests to conduct trading activity in the last look window should always pass on to their Client all volume that is traded in that period. In this example, the bank has not passed on to its Client the entirety of the volume that it traded in the last look window, but has sought to take advantage of price movements to close out their position more profitably in the market.