

Introduction

As part of our effort to promote a solid, open and transparent FX Market, on May 30th, 2018 MUFG Bank México decided to adhere, adopt and comply with the FX Global Code of Conduct (“The Code”). Our commitment is shown by the signature of the Statement of Commitment.

This Code includes a set of global principles of best practice developed to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market. It was developed by a partnership between central banks and Market Participants from different jurisdictions around the globe.

As part of our effort to promote a solid, open and transparent FX Market, MUFG Bank México would like to invite you to align to the FX Global Code of Conduct (“The Code”) and in consequence align the FX transactions executed by your company to the content of the principles established in the Code. If you would like to align, we please ask you to deliver to your Relationship Manager the signed and

For further information related to the adherence to the Code and its principles, we invite you to consult the following website: <https://www.globalfx.org/>

FX Global Code of Conduct

This set of global principles of good practice in the foreign exchange market (Global Code) has been developed to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market (FX Market). It is intended to promote a robust, fair, liquid, open, and appropriately transparent market in which a diverse set of Market Participants, supported by resilient infrastructure, are able to confidently and effectively transact at competitive prices that reflect available market information and in a manner that conforms to acceptable standards of behavior.

The Global Code does not impose legal or regulatory obligations on Market Participants nor does it substitute for regulation, but rather it is intended to serve as a supplement to any and all local laws, rules, and regulation by identifying global good practices and processes.

➤ To Whom Does the FX Global Code Apply?

The FX Market features a diverse set of participants who engage in the market in different ways and across various FX products. The Global Code is written with this diversity in mind and is expected to apply to all FX Market Participants that engage in the FX Markets, including sell-side and buy-side entities, non-bank liquidity providers, operators of E-Trading Platforms, and other entities providing brokerage, execution, and settlement services. While there can be no universal “one size fits all” approach, given the diversity of the market, the Global Code is intended to establish a common set of guidelines for responsible participation in the market.

For the purposes of this document, a “Market Participant” is a person or organization (regardless of legal form) that:

- (i) is active in FX Markets as a regular part of its business and is engaged in the activity of the purchase or sale of one currency against another, or in transactions designed to result in gains or losses based upon the change in one or more FX rates, such as derivatives, whether deliverable or non-deliverable, either directly or indirectly through other market participants; or
- (ii) operates a facility, system, platform, or organisation through which participants have the ability to execute the type of transactions described in (i); or
- (iii) provides FX benchmark execution services; and
- (iv) is not considered a retail market participant in the relevant jurisdiction(s).

The term includes any personnel who conduct the foregoing on behalf of a Market Participant.

As a guide, the following types of persons or organisations would generally be expected to engage in FX Market activities as Market Participants, as described in (i) – (iv) above:

- financial institutions;
- central banks, except where this would inhibit the discharge of their legal duties or policy functions³;
- quasi-sovereigns and supranationals, except where this would inhibit the discharge of their organisational policy mandate;
- asset managers, sovereign wealth funds, hedge funds, pension funds, and insurance companies;
- a corporate treasury department, or Corporate Treasury Centre entering into external (non-group) transactions either on its own account or on behalf of the parent companies, subsidiaries, branches, affiliates, or joint ventures of the group it represents;
- family offices running treasury operations;
- benchmark execution providers;
- non-bank liquidity providers; firms running automated trading strategies, including high-frequency trading strategies, and/or offering algorithmic execution;
- brokers (including retail FX brokers); investment advisers; aggregators; and analogous intermediaries/agents;
- remittance businesses, money changers, and money services businesses in their interactions in the wholesale FX Market
- E-Trading Platforms;
- affirmation and settlement platforms; and

As a guide, the following types of persons would not generally be expected to engage in FX Market activities as Market Participants, as described in (i) – (iv) above:

- pricing display platforms;
- remittance businesses, money changers, and money services businesses in their interactions with retail customers;
- private banking customers trading as individuals or via personal investment vehicles; and
- the general retail public.

The universe of Market Participants is considerably diverse in the type and level of engagement in the FX Market. The Global Code is expected to apply to all of these Market Participants, but the details of how it



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may apply can depend on their underlying activities. In practice, the steps that different Market Participants take to align their activities with the principles of the Global Code will necessarily reflect the size and complexity of the Market Participant's FX Market activities, and the nature of the Market Participant's engagement in the FX Market, and will take account of Applicable Law. Ultimately, the decision of what steps should be undertaken, and in what manner, resides with each Market Participant, reflecting an appropriate internal assessment.

The Statement, like the Code, is voluntary and Market Participants may make use of it in different ways to support the objectives of the Code, enhancing transparency, efficiency, and functioning in the FX Market. The Statement is accompanied by an explanatory note providing additional background.

What processes should a Market Participant **consider implementing before using the Statement?**

Market Participants should consider what type of governance and approval processes would be appropriate for them to implement in connection with their use of the Statement. These processes will vary between Market Participants, but it is anticipated that the individual, or group of individuals, responsible for approving the Market Participant's use and publication of the Statement will have appropriate oversight of the Market Participant's FX Market activities and the authority to make statements of the type contained in the Statement. A Market Participant's assessment of the appropriateness of its own implementation policies and practices should be made independently from the assessment by other Market Participants.

Explanatory Note to the Statement of Commitment to the FX Global Code

The FX Global Code (“Code”) sets out globally recognised principles of good practice in the wholesale foreign exchange market (“FX Market”). It is designed to promote a robust, fair, liquid, open, and appropriately transparent market, to help build and maintain market confidence, and in turn, to improve market functioning. The Statement of Commitment (“Statement”) provides Market Participants with a common basis by which they can demonstrate their recognition of, and commitment to, adopting the good practices set forth in the Code.

1. How should the Statement be used and what are the benefits?

The Statement has been developed to support the objectives of the Code such as enhancing transparency, efficiency, and functioning in the FX Market. To that end, it provides a means by which (i) Market Participants can signal their intention to adopt, and adherence to, the Code’s good practices, and (ii) Market Participants, and others, can more objectively assess the operational and compliance infrastructures of other Market Participants. Like the Code, the Statement is voluntary and Market Participants may choose to make use of it in different ways. For example, Market Participants may use the Statement publicly, by publishing it on their website, or bilaterally, by providing it directly to other Market Participants, such as existing or prospective Clients or counterparties; it may also be used by Market Participants in connection with membership of some regional foreign exchange committees (FXCs), where applicable.

Among the primary benefits of using the Statement is raising awareness of the Code and promoting its objectives in a pro-competitive manner. Use and publication of the Statement provides a positive signal to Clients, counterparties, and the wider market, of a Market Participant’s commitment to following good practice. Widespread use of the Statement will raise the profile of the Code, supporting a common understanding across the FX Market of what constitutes good practice in key areas and encouraging the broadest constituency of Market Participants to engage with and support the Code and its objectives.

2. What does using the Statement represent?

It represents that a Market Participant:

(i) has made an independent determination to support the Code and recognizes it as a set of principles of good practice for the FX Market;

(ii) is committed to conducting its FX Market activities in a manner that is consistent with the principles of the Code; and

(iii) considers that it has taken appropriate steps, based on the size and complexity of its activities, and the nature of its engagement in the FX Market, to align its activities with the principles of the Code.

Whether and to what extent a Market Participant adopts and implements the guidelines set forth in the Code is a decision that each Market Participant should make for itself, as is the decision of whether and to what extent a Market Participant elects to utilize the Statement of Commitment.

3. Market Participants vary, for instance, in relation to the size and nature of their FX Market activities. How is that taken into account?

As noted in the Foreword to the Code, the FX Market features a diverse set of participants who engage in the FX Market in different ways and across various FX products. Both the Code and the Statement have been written and should be interpreted with this diversity in mind.

What this means in practice is that the steps each Market Participant takes to align its activities with the principles of the Code will reflect the size and complexity of its FX Market activities, and the nature of its engagement in the FX Market, and will take account of Applicable Law. Ultimately, the decision of what steps should be undertaken in support of a Market Participant's Statement, and in what manner, resides with each Market Participant, reflecting an appropriate internal assessment. For some Market Participants, appropriate steps may include reviewing their practices in light of the Code and establishing and maintaining policies, procedures, and controls reasonably designed to support their commitment. In addition, Market Participants might assess the appropriate levels of senior management oversight and establish dedicated staff training or embed into existing training.

4. How should Market Participants take account of their corporate structure?

This is a matter for each Market Participant to determine. The Statement has been designed flexibly to accommodate group companies providing a single, group-level statement, or individual group entities providing their own statements.

5. What processes should a Market Participant consider implementing before using the Statement?

Market Participants should consider what type of governance and approval processes would be appropriate for them to implement in connection with their use of the Statement. These processes will vary between Market Participants, but it is anticipated that the individual, or group of individuals, responsible for approving the Market Participant's use and publication of the Statement will have appropriate oversight of the Market Participant's FX Market activities and the authority to make statements of the type contained in the Statement. A Market Participant's assessment of the appropriateness of its own implementation policies and practices should be made independently from the assessment by other Market Participants.

6. When should a Market Participant start using the Statement?

As noted above, Market Participants may take different steps to support their use of the Statement. The time taken to implement such steps may vary depending on the current practices of the Market Participant and the size and nature of the Market Participant's business. Having considered feedback from a broad range of Market Participants, it is anticipated that most Market Participants will need approximately 6 to 12 months to prepare to use the Statement.

7. How frequently should a Market Participant review/renew their Statement?

Given that the nature of a Market Participant's business may change over time, Market Participants that use the Statement should consider what steps they will take to review their activities for alignment with the Code's principles. The steps taken should reflect the size and complexity of the Market Participant's FX



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Market activities and the nature of its engagement in the FX Market. Whereas some Market Participants may consider setting a regular schedule for review, others may vary their approach based on how their business changes over time.

In addition, it is anticipated that the Code will be updated from time to time to reflect emerging issues, changes in the FX Market, and feedback from Market Participants and others. Upon publication of future updates to the Code, Market Participants should consider renewing their Statement, having regard to the nature of those updates, as well as the size and complexity of their FX Market activities and the nature of their engagement in the FX Market.