



Canadian
Foreign Exchange
Committee



Effective Means of Buy-Side Engagement

June 10, 2021

Background

- ❖ Adoption of the Code by buy-side firms remains a challenge.
- ❖ As the 3-year review of the Code concludes, implementation of the Code will be the priority for the GFXC.
- ❖ GFXC has endorsed some of the recommendations of the BWOWG.
- ❖ Local FXCs are expected to play a leading role in increasing buy-side adoption.

Survey on effective means of buy-side engagement

- ❖ BSOWG conducted a survey to take stock of views on the effectiveness of various potential means of buy-side engagement
- ❖ The survey was conducted from mid-October to mid-November 2020
- ❖ Survey was sent to 12 buy-side entities that: (a) represent the BSOWG private sector members and other buy-side entities from LFXCs; and (b) have signed the Statement of Commitment (SoC).
- ❖ Respondents represented jurisdictions including: Australia, Continental Europe, Japan, United Kingdom, and United States.

Survey results: top-down vs. bottom up approaches

- ❖ Most indicated the necessity to undertake *Top-down outreach* approaches in conjunction with *Bottom-up outreach* approaches for a more desirable outcome.
 - Top-down outreach more effective in practice
- ❖ Three top-down strategies :
 - Explicit reference to the Code by regulators
 - Greater involvement of industry associations/LFXCs
 - Targeted message to the buy-side from authorities
- ❖ Three bottom-up strategies :
 - Enhancement of supporting materials on Code adoption
 - Peer-to peer outreach
 - Provision of support at working-level

Survey results: incentivize buy-side entities

- ❖ Strong perception within the buy-side that a large part of the Code is written for sell-side
- ❖ Three strategies to incentivize buy-side to sign SoC:
 - Making a linkage between the Code and the Global Agenda (e.g. ESG, sustainable development)
 - Sending a letter to targeted entities from the executives of an authority
 - Quantifying and visualizing benefits to signing the Code

Recommendations for LFXC



Get the message delivered from local authorities



Get the local industry associations involved



Beware of potential “inverse relationship” between the group size of the target and outreach effectiveness



Focus on clarifying the concept of “proportionality”



Understand jurisdiction-specific factors

Recommendations for GFXC



Create guidance to help with the proportionality concept



Requesting LFXCs' regular updates on adherence status

Next Steps

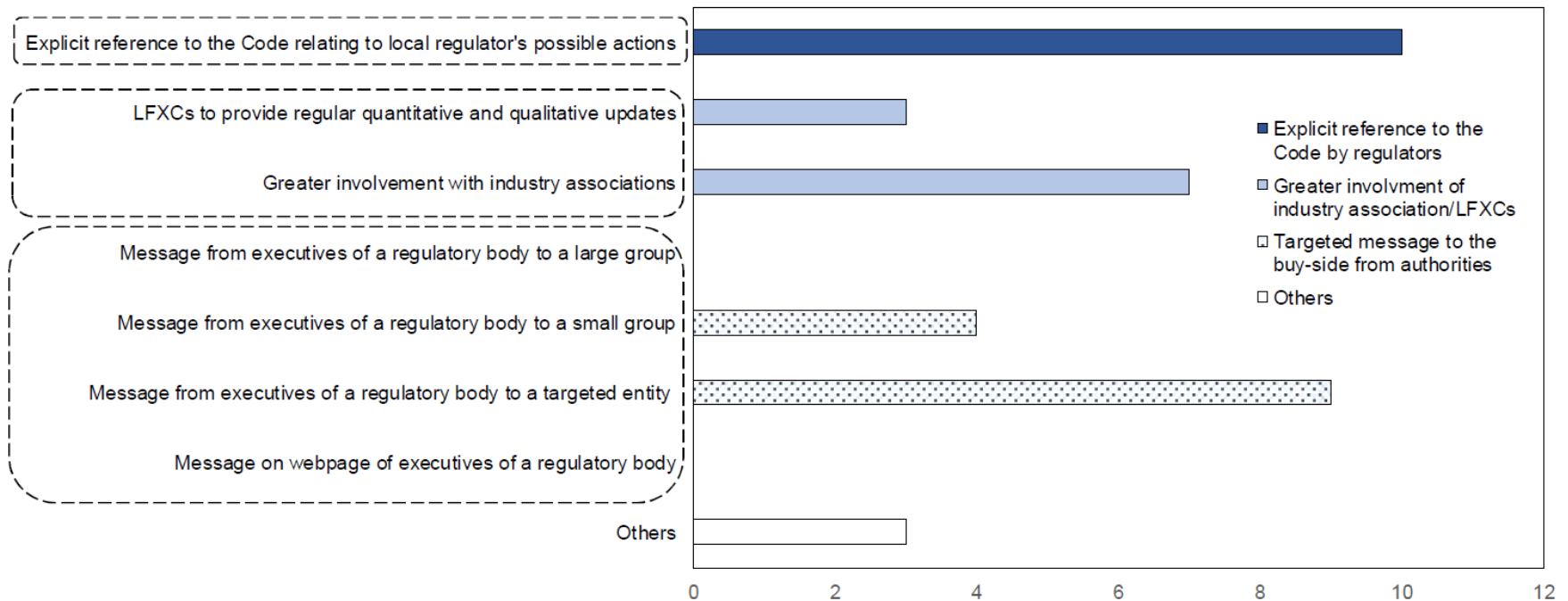
CFEC outreach sub- group

- Target audience?
- Identify industry associations
- Role of CFEC?
- Role of dealers?
- Role of Bank of Canada?

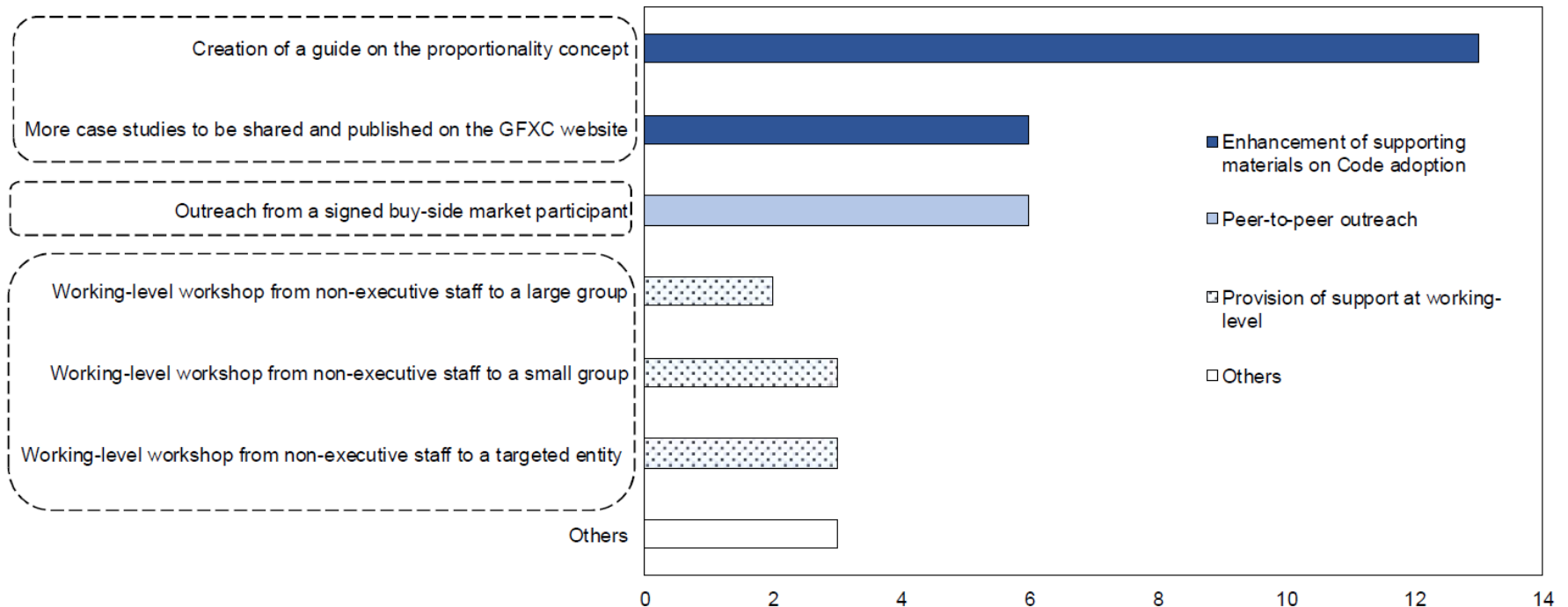


Appendix

Survey results: Top-down approaches



Survey results: Bottom-up outreach approaches



Survey results: creating incentives

