Conduct Risk—Connecting the Dots

September 2, 2015

Executive Summary:

Fixed-income, currency and commodities markets are feeling the effects of a new focus by regulators on tightening standards of conduct and ensuring that dealers act in the best interests of all their clients.

Recently, a number of regulators, most notably the Financial Conduct Authority (FCA), the Prudential Regulatory Authority (PRA) in the U.K and the New York Fed are focusing on issues related to conduct. In the U.K., the Bank of England and FCA recently published the results of the Fair and Effective Markets Review (FEMR), which instituted the FICC Markets Standards Board (FMSB) to raise standards and promote best practices in wholesale FICC markets.

These actions have captured the full attention of senior management at sell-side firms, as regulators globally, and especially in the U.K., seek to hold senior management personally liable for the behavior of the staff in their organization.

This Greenwich Report examines these effects and pinpoints steps dealers are taking to mitigate and manage “conduct risk.”

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