

Comments on Foreign Exchange Benchmark Group (FXBG) Consultation Paper

Reply by Dirk Wegener and Peter Beyer, United Signals GmbH
and Joerg Sonnenschein and Matthias Weissmann, Bierbaum + Co GmbH

Dear Ladies and Gentlemen,

we refer to the summary of the draft recommendations page 3, no.6 respectively page 25, no. 6 regarding the development of independent netting and execution facilities.

1. After numerous conversations with market participants and our own experience from inside the largest FX sell-side institutions and FX brokerage houses and working experience in sales, as traders and brokers at times with and without official fixings, we have come to the following conclusion:

Supposed irregularities of market participants in conjunction with any reference rate procedures could possibly be eliminated by enabling the market participants to square their reference rate related positions (fixing positions) at the rate and at or via the rate-determining institution. By offering the option to square any fixing positions, any order driven front running would be de facto eliminated.

2. We consider central banks to be in an ideal position as clearer of the fixing with the initial chance to match the net balances or to square the position either directly in the market or through auction-style procedures.

3. All fixing orders should be individually marked as such using a similar standard as Unique Trade Identifiers (UTI) used for trade reporting to a DTCC (Depository Trust & Clearing Corporation). All orders should enter the facility either gross or on a netted basis via FX banks as long as those institutions have an auditable process in place to ensure that the total net positions enter the fixing facility. All orders should enter as at-best orders to ensure that all orders from benchmark oriented passive asset managers get filled at the fixing rate and no order remains unfilled.

4. Deadline for incoming orders should be 15 minutes prior to the fixing.

5. The facility provides (all or some) central banks with information about the net balances 10 minutes prior to the fixing. We propose to have a rolling mandate within the central bank system to ensure that no more than (2?) institutions have access to this sensitive information about net balances.

6. The acting central bank decides whether to match the balances itself or to square the balances in the market.

7. The open interest determines the fixing rate. It could either be set by the acting central bank (in case the acting central bank opts to match) using average rates of a snapshot of the market or (in case the acting central bank opts to square the balances in the market) the fixing rate should be the weighted average rate of the market transactions. In all circumstances the central bank acts as clearing institutions to ensure that sufficient settlement limits are in place.

8. The rate gets published 15 minutes past the fixing.

We would greatly appreciate if our proposal meets your interest and are available for any further inquiries. We would be delighted to assist with the conception and realization.

United Signals GmbH

Peter Beyer Dirk Wegener

Bierbaum + Co GmbH

Joerg Sonnenschein Matthias Weissmann

Peter Beyer (in Foreign Exchange since 1982, worked among others at Commerzbank AG, at Bayerische Vereinsbank as Head of FX trading and later at Morgan Stanley International in London. Before joining United Signals in 2011 he was a managing Director and Head of Institutional Sales at Deutsche Bank AG)

Dirk Wegener (in Foreign Exchange since 1986, worked among others as trader for Intesa San Paolo in the Milan, Rome and Frankfurt Fixings, later as corporate sales trader for Swiss Bank Corporation and Sal. Oppenheim. He was Head Institutional FX at both Citibank and Deutsche Bank. Before joining United Signals he was Global Head of Capital Market Sales at Deutsche Bank AG)

United Signals (www.united-signals.com) seeks to bring new impetus in the financial industry by offering a complete new form of investment. The strategies of various certified financial experts are bundled on one platform and can be subscribed by investors. Investors can create their own portfolio by investing in different strategies and can adjust the allocations to personal needs at any time. All transactions of the financial experts are automatically executed in the accounts of investors that have allocated funds to the strategy. An integrated risk management system monitors the financial experts and protects the capital of the investors within a predefined risk range.

Joerg Sonnenschein (in Foreign Exchange since 1986, Managing Director and Partner of Bierbaum + Co. GmbH)

Matthias Weissmann (in Foreign Exchange since 1985, worked as trader for Commerzbank AG, Frankfurt, joined Bierbaum + Co GmbH as Senior Partner in 1987)

Bierbaum's history goes back to 1956, since then they were operating as a FX and Money Markets broking company with intermittently 17 branches globally. They had also been appointed as Official Exchange Broker at the former Official Frankfurt Foreign Exchange Fixing.



United Signals GmbH | Kennedyallee 93 | 60596 Frankfurt am Main