Joy Rajiv,

August 12, 2014

To FSB,
Foreign Exchange Working Group.

Dear Sir/Madam,

My letter is related to the consultative document (see 3) released by the Foreign Exchange Benchmarks Working Group (henceforth 'FX committee') on July 15 2014. The document investigates the FX benchmarks manipulation issue which was reported first in June 2013 (see 1).

I have relevant experience in FX from having worked at Morgan Stanley and Deutsche Bank's electronic (not voice) FX trading divisions in New York from 2010-13. I resigned and left the industry in March 2013. In early 2014, I wrote the following about the benchmark manipulation issue:

- Article published on Feb 28 2014 in Financial Times(FT) in one of their blogs (see 2).
- The attached technical supplement('wmr_draft.pdf') to the FT article. This was circulated privately.

As is now well known, there exists a critical flaw in WM/R benchmark trades which is: voice traders at banks are not paid premium, proportionate(more accurately: no premium) to their risk exposure when executing a WM/R benchmark trade for clients.

This issue was not always well known. My FT article, to my knowledge, was the first to point it out. Both of the aforementioned articles were forwarded to the FX committee in the first week of March 2014 by Darrell Duffie, Professor of Finance at Stanford's Graduate School of Business. To my knowledge, the FX committee's document in (3) is the second article to note the same WM/R flaw. The following facts are also relevant:

- Impact: Unlike earlier this year there now exists broad awareness about the benchmark flaw among market participants. The focus has shifted from alleged market manipulation by voice traders to repairing the flaw. For eg. see (4)
- My current status: I am not an academic/regulator/lobbyist/paid consultant or employee of any firm. I contributed independently to FT in an individual capacity, 11 months after leaving the industry. Simply because negative coverage about voice traders had reached unjustifiable levels.

Citing references is standard practice in academia and in central banking circles. If as seems likely, my work was referenced by the FX committee then(especially) given its impact and my independent status, I would much appreciate its acknowledgment. Such official recognition is the only incentive for qualified individuals to speak up constructively on such matters, when necessary.

References:

1. Original Bloomberg article: `http://www.bloomberg.com/news/2013-06-11/traders-said-to-rig-currency-rates-to-profit-off-clients.html`
2. My FT alphaville article:`http://ftalphaville.ft.com/2014/02/28/1781812/guest-post-in-defence-of-fx-traders/`.
3. FSB report: `http://www.financialstabilityboard.org/publications/r_140715.pdf`.
4. Recent report from Reuters: `http://www.reuters.com/article/2014/08/08/fx-investigation-reform-idUSL6N0Q566P20140808?feedType=RSS&feedName=usDollarRpt`.

Yours Truly,

Joy Rajiv