The Foreign Exchange Committee published its first version of the Guidelines for Foreign Exchange Trading Activities in 1979. As the industry evolves and trading processes change, the Committee periodically updates this paper. In 2004, the changes indicated below were made to the Guidelines. The most recent version of the Guidelines can always be found on the Foreign Exchange Committee’s public website at <www.newyorkfed.org/fxc>.

**How to Resolve Trade-Related Problems**

ṣ Amend Resolution section, first paragraph, to read: Disputes, however, are inevitable, and management should establish clear policies and procedures for resolution at the senior management level with a transparent audit trail. For example, in many markets, difference checks are exchanged. Informal dispute resolution practices that sometimes develop in the market can be inconsistent with sound business practices. For example, the use of points is not an appropriate means of trade dispute resolution, and for some counterparties in some jurisdictions the use of points may be contrary to regulatory or supervisory guidance.

Dealing with Unnamed Counterparties

It is recommended that investment advisors and dealers alike implement measures to eliminate the practice of trading on an unnamed basis. Specifically, investment advisors and foreign exchange intermediaries should develop a process to disclose client names to a dealer’s credit, legal, and compliance functions before the execution of foreign exchange trades. In turn, dealers should establish procedures to ensure the strict confidentiality of the intermediary’s clients and restrict the disclosure of this information to the front office except in the event of default. This could include a confidentiality agreement whereby the dealer agrees that only its credit, legal, and compliance functions will have access to the client name. The use of identification codes, or similar identifier systems, has been adopted in other markets.

Add footnote number 10: Trading on an unnamed basis is often confused with trading on an undisclosed basis (when an intermediary does not explicitly acknowledge that it is acting as an agent at any point in the relationship).

Add footnote number 11: A detailed discussion of the risks of unnamed counterparty trading is included in the Committee document Information on Unnamed Counterparty Trading. The Committee’s guidance on the issue can be found in several letters to market participants available at <www.newyorkfed.org/fxc>. Other industry groups are also actively discouraging this practice in regional codes of conduct and best practices. The Bank of England’s Foreign Exchange Joint Standing Committee revised its Code of Conduct for Non-investment Products, a reference source used for regulatory review of financial institutions and investment managers in the United Kingdom, to include best practices similar to those outlined above.