



European Communities
Commission
Press Release

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COMMISSION APPROVES NEW RULES FOR LONDON FOREIGN
EXCHANGE AND CURRENCY DEPOSIT BROKERS

Following a complaint by Sarabex Ltd, a foreign exchange and currency deposit broker dealing in non-scheduled currencies in the London foreign exchange market and which wishes to trade in scheduled currencies, the European Commission enquired about the compatibility of the conditions of entry into the London foreign exchange broking market with the provisions of Articles 85 and/or 86 of the EEC Treaty.

Following discussions with the competition services of the Commission, the Bank of England, acting on behalf of HM Treasury, the appropriate regulating authority, has modified the system for admission of broking houses to both the foreign exchange and currency deposit market and is introducing a new structure for commission rates to be charged therein. The modifications concerning admission come into operation immediately and the new commission rates on January 2, 1979.

Under the modified system the Bank of England will grant recognition to broking houses ("recognised brokers") who wish to trade in the market for "scheduled" currencies. Banks, which are themselves authorised and subject to the control of the Bank of England, may deal only with such recognised brokers. There are certain objective criteria which both the applicant firms, and those employed to conduct actual trading, must meet before recognition. Recognition itself will entail an application for membership of the Foreign Exchange and Currency Deposit Brokers' Association (FECDBA), which organisation will, inter alia, supervise the day to day conduct of the recognised brokers. HM Treasury, acting through the Bank of England, will keep the broking firms trading on this important market under constant review. As a distinct but related matter, the rules and regulations of the FECDBA will come under the scrutiny of the Directorate General for Competition.

If an application for recognition is refused by the Bank, there will be a right of appeal by the firm involved to the Chairman of the City Panel on Mergers and Takeovers. Insofar as existing broking houses, who are now members of the FECDBA, are concerned, they will be treated as having been granted recognition and will be allowed a period of six months in which to comply with the criteria now being required of all broking houses and the brokers therein other than as to sponsorship.

The former commission rates will in general become the maximum rate. The new structure, by having both a maximum and minimum rate for dealings in each currency, will provide the possibility for competition between broking firms thereby benefiting those engaged in actual currency transactions. The rates intended to operate from January 2, 1979, are subject to review.

The Commission is satisfied as to the compatibility of the modifications proposed by the Bank of England with the provisions of Community law.

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