

September 21, 2017

GFXC Secretariat
Global Foreign Exchange Committee

Re: GFXC Request for Feedback on Last Look Practices in the FX Market

Dear Sirs:

Citadel LLC¹ (“Citadel”) appreciates the opportunity to provide feedback to the Global Foreign Exchange Committee (the “GFXC”) in response to the consultation on “last look” practices in the foreign exchange market. Citadel is a significant participant in global financial markets, with our hedge funds managing in excess of \$26 billion in investment capital and our separate Citadel Securities business a leading market maker across the FX, equities, and fixed income asset classes. We support the objectives of the FX Global Code, published in May 2017, and the mission of the GFXC to continue to refine and enhance the FX Global Code.

Citadel believes that realizing the FX Global Code’s objective of robust, fair, liquid, open and transparent foreign exchange markets requires a transition to fully firm pricing and the elimination of “last look” practices. Fully firm pricing in the foreign exchange markets will improve execution quality, investor confidence, market transparency, and transaction cost analysis. By contrast, in today’s markets, “last look” practices yield indicative (vs. fully firm) price levels that may not be executable. This distorts current assessments of actual market pricing and liquidity and impairs efforts to accurately assess transaction costs. These adverse impacts are most pronounced during times of market volatility.

We believe that policymakers and regulators can and should lead an orderly market-wide transition away from “last look”. Innovation has removed many of the justifications that have been offered for the continued use of “last look” and liquidity providers today can effectively manage risk across both trading venues and bilateral off-venue trading. We urge the GFXC to consider how a full-phase out of “last look” could be structured, including the appropriate amount of time for market participants to modify workflows and measures to ensure that a level playing field is maintained at all times as this transition occurs.

In the interim, we recommend that the GFXC further clarify the definition of “Client” in the FX Global Code. In particular, the current definition of Client does not appear to contemplate the different modes of execution that are employed in the foreign exchange market, including disclosed trading and anonymous order books. This additional clarification will assist market participants in further evaluating the FX Global Code’s impact on the use of “last look.”

¹ Citadel is a global financial firm built around world-class talent, sound risk management, and innovative market-leading technology. For more than a quarter of a century, Citadel’s hedge funds and capital markets platforms have delivered meaningful and measurable results to top-tier investors and clients around the world. Citadel operates in all major asset classes and financial markets, with offices in the world’s leading financial centers, including Chicago, New York, San Francisco, Boston, London, Hong Kong, and Shanghai.



We appreciate the opportunity to provide comments on the FX Global Code to the GFXC. Please feel free to call the undersigned at (646) 403-8235 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director, Government & Regulatory Policy