

## Box 2: Progress in Colombia's Integration into the Global Foreign Exchange Committee<sup>1</sup>

### Introduction

***Banco de la República (BanRep)* and the Securities Market Self-Regulator (AMV, in Spanish) have made progress in establishing a Local Foreign Exchange Committee (LFXC)<sup>2</sup>, with the aim of strengthening communication channels and the exchange of information with foreign exchange market participants. This initiative aims to promote greater dynamism and development of the local market through a space that brings together the most relevant actors, including authorities and representatives from the private sector, to foster open and proactive discussions on aspects that favor fair, efficient, and resilient functioning of the foreign exchange market. This aligns with recommendations generated during a technical visit by the International Monetary Fund (IMF) in 2024, in which the regulatory framework of the Colombian foreign exchange market was evaluated in order to identify strategies for its development, without compromising financial stability<sup>3</sup>.**

**The consolidation of the LFXC is also a fundamental step for Colombia's participation in the Global Foreign Exchange Committee (GFXC)<sup>4</sup>, an international forum that promotes the integrity and efficiency of the foreign exchange market through the dissemination of the Global Foreign Exchange Market Code of Conduct (FX Global Code), a set of good practice principles that guide the conduct of market participants. In March 2024, *BanRep*, as the foreign exchange authority in Colombia, has been moving forward with its bid to join the GFXC as an associate member, while simultaneously setting up the structuring process in the LFXC. This accession represents a strategic opportunity to strengthen the local institutional framework by spreading and adopting international standards and leveraging the experiences shared by other jurisdictions.**

**This box highlights the main messages related to this process, emphasizing the relevance of the FX Global Code, the progress in forming the LFXC, Colombia's participation in the GFXC, and the benefits derived from these actions.**

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<sup>2</sup>Local Foreign Exchange Committee.

<sup>3</sup> The IMF technical support document is located at Colombia: Technical Assistance Report-Foreign Exchange Market Development and Regulatory Framework Review.

<sup>4</sup>Global Foreign Exchange Committee.

## Global Foreign Exchange Committee and FX Global Code

**GFXC is an international forum established in May 2017 with the purpose of promoting a robust, liquid, open, and transparent global foreign exchange market.** This committee comprises central banks and representatives from the private sector. It aims to strengthen the functioning of the foreign exchange market by formulating, disseminating, and promoting principles of good practice that ensure a safe, efficient, and orderly operation in an environment supported by clear regulatory frameworks and a robust operating infrastructure.

**The GFXC is based on the recognition that the foreign exchange market represents a global common good, whose stability and proper functioning are essential for the international financial system.** Within this framework, the Committee promotes spaces for dialogue and cooperation between authorities and market participants, with the aim of fostering convergence around shared standards that enhance the integrity, transparency, and resilience of the global foreign exchange market.

**Therefore, the GFXC is consolidated as a fundamental instance for the coordination, analysis, and standardization of best practices in the international foreign exchange market. In this framework, one of its core functions is the development, promotion, and periodic updating of the FX Global Code<sup>5</sup>, as well as the identification of effective mechanisms that support its adoption by the different market players.** Additionally, the committee serves as a technical platform for monitoring and discussing trends, structural developments, and outstanding practices in the global currency market, based on the inputs and experiences shared by its members.

**The FX Global Code comprises 55 principles of good practice designed to promote ethical, professional, and responsible conduct among all participants in the foreign exchange market.** Although the Code is neither legal nor a substitute for regulation in each jurisdiction, it is intended as an instrument of self-regulation that complements local regulatory frameworks and promotes international standards of integrity and transparency. Its adoption is formalized through a standardized *Statement of Commitment*, which enables entities to declare their adherence to the Code's principles and their willingness to act in accordance with them. This possibility is open to all foreign exchange market participants, including banks, intermediaries, investment managers, hedge funds, electronic trading platforms, and non-bank liquidity providers.

**Among its most relevant principles are those that guide operational conduct, risk management, and client protection.** Examples include an obligation to act with integrity, the effective management of conflicts of interest, fair execution of orders, and the safeguarding of confidential information. Additionally, the Code establishes guidelines on internal controls and risk management, along with robust practices in oversight and compliance. Overall, these guidelines strengthen confidence, enhance transparency, and build resilience in the global foreign exchange market.

**BanRep's adherence to the FX Global Code in August 2022 represents a significant step forward in the development of the Colombian foreign exchange market, as it fosters alignment with international standards of conduct and governance.** This decision reaffirms Colombian

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<sup>5</sup> The last revision was completed in December 2024, with the release of the updated version in January 2025.

institutions' commitment to the principles of integrity, transparency, and efficiency in their operations. It contributes to consolidating a more robust and reliable regulatory environment for market participants. Globally, 1,182 entities have formally committed to adhering to the Code, with a greater presence in Asia (524), the European Union (292), and North America (170). In South America, only ten entities from six countries, including Colombia, have signed the *Statement of Commitment*, which highlights the challenges faced by the region in this area, as well as an opportunity to move towards greater convergence with international best practices.

## Colombia's Adherence to the GFXC

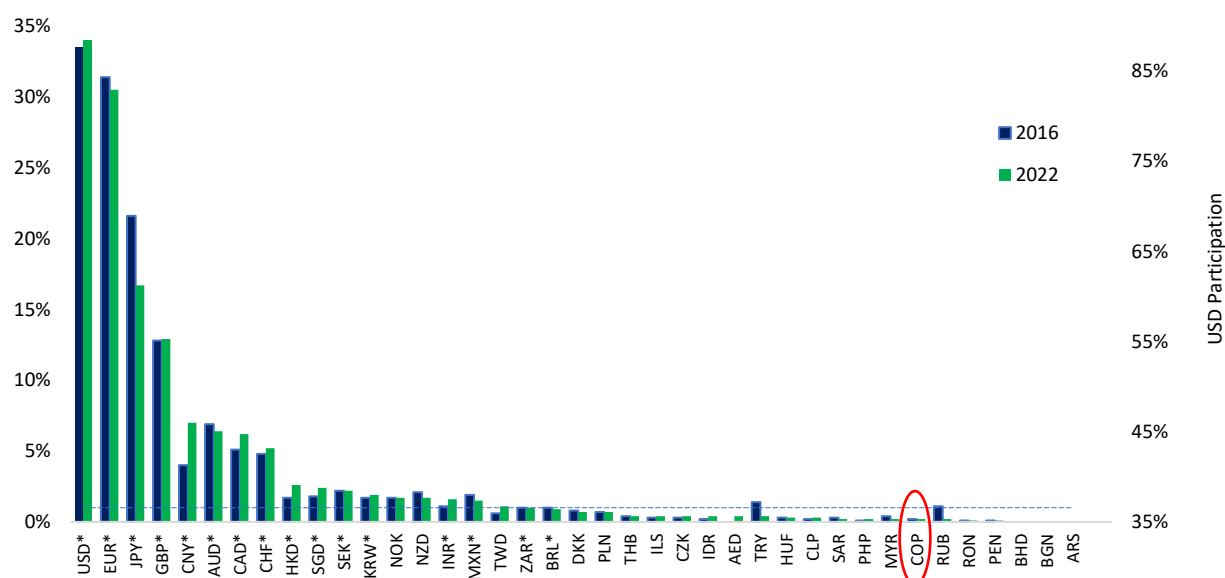
**The GFXC structure comprises two categories of membership: complete and associated, which are determined by the degree of compliance with specific institutional criteria and the relevance of the local currency in the international exchange market.** To access full membership, the LFXC must be formally constituted and sponsored by the central bank or have an equivalent structure that includes representatives from both the central bank and the private sector. Additionally, the committee must actively commit to the promotion and support of the FX Global Code, and the country's foreign exchange market must account for at least 1% of total global turnover, in accordance with the Bank for International Settlements<sup>6</sup> Triennial Survey. In cases where these requirements are not met, local committees can apply as associate members. This condition allows them to participate in the activities of the GFXC when invited by the chair of this committee, considering that the LFXC may have a relevant contribution to agenda items.

**In the case of Colombia, our local currency, the Colombian peso (COP), represents approximately 0.2% of the total turnover in the global foreign exchange market, according to the latest BIS triennial survey (*Graph B2.1*). This level of representativeness is below the 1% threshold required to become a full member of the GFXC.** Nevertheless, the existence of a structured LFXC, with the participation of *Banco de la República* and private sector representatives, along with the formal commitment to promoting and adopting the FX Global Code, enables Colombia to join the GFXC as an associate member, with access to its discussions and technical cooperation forums.

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<sup>6</sup> The results of the BIS Triennial Surveys with their respective analyses are found in *Triennial Surveys*.

**Graph B2.1. Share of Global Turnover by Currency**



**Source:** Triennial BIS survey. The results presented include both legs of the traded currencies, which results in a total of 200%. Additionally, the USD values are shown on the right axis. Countries marked with an asterisk are full members of the GFXC.

**The integration of Colombia's LFXC into the GFXC in March 2025, as an associate member, has provided institutional support for the efforts aimed at both the formal establishment of the LFXC and its articulation with the global committee.** Upon receipt of the invitation letter in March 2024, LFXC, through *BanRep*, which is an active member of LFXC, sent an affirmative response to the GFXC and officially notified the appointment of *BanRep* representatives to said international forum<sup>7</sup>, starting the 18 months for compliance with the necessary criteria for membership. During this period, the LFXC of Colombia has already been constituted as a member of the GFXC and has therefore participated in the organization’s meetings. At the same time, at the local level, *BanRep* has worked in coordination with the AMV to consolidate the structure and functioning of the local currency committee, in line with the criteria and good practices promoted by the GFXC.

**Specifically, this coordination has been based on the identification of the AMV Foreign Exchange Committee, previously established and with the participation of *BanRep*, as a space with full potential to formally consolidate Colombia’s LFXC.** Consequently, the necessary regulatory adjustments have been undertaken to align the committee with the guidelines defined by the Global Foreign Exchange Committee (GFXC), including, among other aspects, the formalization of the role of *Banco de la República* in the definition of the work agenda and the explicit incorporation of the function of promoting the FX Global Code among local market participants. It is worth noting that this latter function had already been carried out de facto by the AMV committee, within the scope of its responsibilities as a self-regulatory organization. These adaptations have progressed satisfactorily, allowing the committee to currently operate as

<sup>7</sup> Those designated as representatives in the GFXC are the Chief Officer for Monetary Operations and International Investments and the Chief of the Operations and Financial Markets Analysis Department of *Banco de la República* (the Central Bank of Colombia).

the official space for coordination, technical dialogue, and promotion of good practices in the Colombian foreign exchange market, and for Colombia to actively participate in the GFXC's discussion instances as an associate member.

**The main benefits derived from joining the GFXC are structured around two fundamental axes: the establishment of an LFXC and participation in international discussions promoted by the GFXC.** Both dimensions contribute in a complementary way to the institutional strengthening of the Colombian foreign exchange market, by facilitating the adoption of good practices, improving coordination between authorities and participants, and promoting alignment with international standards. Notably, the creation of the LFXC enables the institutionalization of a forum for technical dialogue and regulatory coordination at the local level. At the same time, participation in the GFXC provides opportunities to access strategic information, share experiences, and enhance market intelligence. Progress is currently being made in the development of the official LFXC website, which will serve as an institutional channel for disseminating information, documents, and guidelines of interest to foreign exchange market participants, as well as promoting the adoption of the FX Global Code.

**Within this promotion pillar, a series of recommendations have been formulated by the AMV Foreign Exchange Committee, and now LFXC, aimed at facilitating compliance with the Code.** To enable foreign exchange market participants to align their operations with these principles of good practice, beyond what is established in current Colombian regulations. These recommendations have been recorded and disclosed to the market in a dedicated chapter of AMV Unified Guidance Manual, which reinforces their guiding role and their usefulness as a reference for market participants.

## Conclusions

**The GFXC's invitation to local authorities to join as an associate member is a recognition of Colombia's institutional progress in strengthening its foreign exchange market.** This participation also represents a strategic opportunity to consolidate the country's alignment with international standards of integrity, efficiency, and transparency by facilitating technical exchanges with other jurisdictions and promoting the adoption of best practices, particularly those linked to the implementation of the FX Global Code.

**Structuring a LFXC constitutes a fundamental instrument for effectively articulating authorities and market participants around regulatory, operational, and development initiatives, in line with the recommendations made by the IMF.** This space not only enables participation in the GFXC but also serves as a strategic mechanism to strengthen the Colombian foreign exchange market by promoting higher levels of transparency, efficiency, and supervisory capacity. Additionally, it facilitates better inter-institutional coordination and a more agile flow of information between authorities and different market players, contributing to more informed decision-making and consistent with international best practices.