

Global Digital Finance Code of Conduct

Part XI: Principles for Market Integrity

Scope of Work

Integrity and credibility of crypto markets are currently major hurdles for mainstream and institutional adoption of digital assets, as well as a key concern for regulators. The GDF Market Integrity Working Group, comprised of digital asset service and infrastructure providers, compliance and legal professionals, market makers and NGO's has devised a set of pragmatic, implementable guidelines that, if adopted by digital asset service providers, will promote a fair, ethical and transparent industry.

The Market Integrity Code of Conduct addresses ethical trading and reporting practices, standards for monitoring and surveillance to prevent and detect manipulation and fraud, commitment to client privacy and security, attitudes towards regulation and compliance, and responsible conduct in regards to lending, leveraging and making promises to investors.

Goal of the Principles for Market Integrity

GDF believes in the importance of the development of global principles of good practice in the cryptoasset markets to provide a common set of guidelines to promote the integrity and effective functioning of the cryptoasset markets. It is intended to promote a robust, fair, liquid and adequately transparent market in which participants are able to effectively transact at competitive prices that reflect available market information.

Definitions

For the purposes of these Additional Principles, the following definitions shall apply:

- a. **Confidential Information** means information not in the public domain received or created by a Market Participant, and shall include any legal or contractual restrictions to which the Market Participant may be subject.
- b. **Data Transparency** means the accurate and publicly available reporting of market dynamics that help to ensure fair and orderly markets, including, but not limited to trades, order books and volumes.
- c. **Insider Information** means information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more cryptoassets, and which, if it were made public, would likely have a significant effect on the prices of those cryptoassets or on the price of related cryptoassets (the use of which shall be referred to “**Insider Trading**”).
- d. **Information Asymmetry** means that insider actors, via Inside Information, know more about a project’s future prospects than outsiders/investors. Unequal access to information can lead to:
 - i. timing trades and decisions based on Insider Information
 - ii. profiting from the use of Insider Information
- e. **Market Integrity** means the preservation of fair and orderly cryptoasset markets such that public confidence and investor protection within those markets is maintained.
- f. **Market Manipulation** shall include:
 - i. entering into a transaction, placing an order to trade or any other behaviour which:

- gives, or is likely to give, false or misleading signals or price movements as to the supply of, demand for, or price of, a cryptoasset; or
 - secures, or is likely to secure, the price of one or several cryptoassets at an abnormal or artificial level;
 - ii. entering into a transaction, placing an order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several cryptoassets, which employs a fictitious device or any other form of deception or contrivance
 - iii. disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, a cryptoasset
 - iv. entering a transaction in order to ascertain the level of hidden orders
- g. **Market Participants** shall include investors, users and participants which enter into transactions on trading platforms, and shall also include the operators of trading platforms and any service providers, systems, organisations or actors whose actions may have an effect on Market Integrity.
- h. **Public Transparency** means a reasonable level of transparent and easily accessible policies and procedures which relate to users, including but not limited to disclosure of conflicts of interest.
- i. **Related Parties** means closely associated persons which have access to Insider Information.
- j. **Financial Promotion** is an invitation or inducement to engage in the purchase or sale of cryptoassets.

These Additional Principles must be read in conjunction with GDF's Overarching Principles¹ and the GDF Taxonomy². Any capitalised terms used but not defined herein shall have the same meaning given to them in the GDF Overarching Principles and the GDF Taxonomy.

1. Ethical Trading Practices

- a. We will apply appropriate staff background screening and due diligence to hire competent and professional people and advisors that act in the interests of Market Integrity at all times.
- b. We will have adequate systems and controls to detect Market Manipulation within our own business or resulting from our services or activities.
- c. We will have adequate policies and procedures designed to prevent Market Manipulation as a result of Information Asymmetry and Insider Information.
- d. We will implement processes designed to identify and detect Market Manipulation.
- e. To the extent that we are a trading platform or other intermediary, we will ensure adequate Data Transparency and Public Transparency.

2. Ethical Reporting Practices

- a. We will investigate and within a reasonable timeframe report suspicious activities and / or transactions, which may constitute Market Manipulation, in accordance with relevant legislation in the jurisdictions in which we operate.
- b. We will ensure we are familiar with the processes of law enforcement requests in the jurisdictions in which we operate, and will have processes in place to respond appropriately where required to do so.
- c. We will ensure that we are familiar with the processes related to suspicious transaction and order reporting in the jurisdiction in which we operate, and will have processes in place to respond appropriately where required to do so.

¹ [GDF Code of Conduct Overarching Principles](#)

² [GDF Taxonomy for Cryptographic Assets](#)

3. Standards for Monitoring and Surveillance

- a. We will establish and maintain effective arrangements, systems and procedures aimed at continuously preventing and detecting Market Manipulation (“**Market Abuse Programmes**”).
- b. If we are operators of trading Platforms we will report orders and transactions, including any cancellation or modification thereof, that could constitute Insider Dealing, Market Manipulation or attempted Insider Dealing or Market Manipulation to the competent authority of the trading venue within a reasonable period of time.
- c. We will require trading Platform providers and operators to establish and maintain effective arrangements, systems and procedures aimed at continuously preventing and detecting Market Manipulation.
- d. We will endeavour to have processes in place to review and, where necessary, improve the effectiveness of our Market Abuse Programmes from time to time.
- e. We will, as appropriate, implement automated or manual Surveillance Systems to detect actual or attempted Market Manipulation and we undertake to ensure that relevant personnel should be qualified to detect trading patterns that may suggest unfair or manipulative practices.

4. Client Privacy and Security

- a. We will clearly and effectively identify and appropriately limit access to Confidential Information.
- b. We will carefully limit access to and protect Confidential Information in accordance with our contractual obligations and any applicable legislation.
- c. We will have business continuity plans (“**BCPs**”) in place that are appropriate to the nature, scale, and complexity of our business and that can be implemented quickly and effectively in the event of large-scale disasters, loss of access to significant trading platforms or other critical services.

- d. We will carefully assess and review the adequacy of external dependencies, including third party infrastructure and business critical service providers, as well as the appropriate inclusion of third party BCPs into our own BCPs.
- e. Where we are operators of trading platforms or perform a service that could be deemed critical to Market Integrity, we will address potential adverse outcomes arising from the use of or reliance on technological systems (both hardware and software) (together the “**Systems**”) and shall ensure that any system will be tested before being released into production.
- f. Where we are operators of trading platforms we will test our Systems to determine and ensure our ability to process cryptoasset transactions in an accurate, timely and appropriate manner in keeping with commonly understood principles of Market Integrity.
- g. Where we are Market Participants engaged in trading cryptoassets, we will endeavour to ensure that thorough testing and maintenance of trading systems and algorithms has been undertaken, with a view to preserving Market Integrity.
- h. We will endeavour to put in place appropriate and proportionate controls to reduce the likelihood of and mitigate any consequences of generating erroneous transactions or causing market disruption, such as off-market quotes or trades, fat finger errors and uncontrolled trading activity arising from technological failures and flaws in trading logic.

5. Commitment Towards Transparency

- a. We will endeavour to be transparent as to the capacities in which we are acting and will always provide truthful statements in clear and unambiguous language as to our business operations and legal entity information.
- b. Where we are operators of trading platforms, we will provide rules which are transparent to Market Participants and will provide clear guidance as to restrictions and requirements that may apply. We recognise the importance of providing clear and timely information related to different order types, technology services and events which may have an adverse impact on Market Integrity, including service outages and failed systems or processes.
- c. Where our services may have an impact on Market Integrity, we will provide clear guidance as to how we will treat certain cryptoasset market events,

including forks and associated technical events, we will notify market participants as to the impact of forks on services.

d. Where we are involved in providing algorithmic trading or aggregation services to clients, we will provide adequate disclosure regarding how such services operate. This information should enable the Client to evaluate the performance of the service, understand the applicable fees, and understand information regarding how order execution may be undertaken.

6. Commitment Towards Good Practices

a. Where we are aware that our activities are governed by existing rules and regulations, we will take all reasonable measures to comply with applicable laws, rules or regulations.

b. We will behave in an ethical and professional manner at all times to promote Market Integrity. We will integrate the principles of honesty, fairness and integrity in the operation of our business.

c. We will actively endeavour to identify and address conflicts of interest in a timely manner. Where such conflicts of interest cannot be fully eliminated, they will be effectively managed in an appropriate manner.

D. Management information (MI) should be considered when trading Platform providers and operators discuss strategy and the business puts in place a process to review the conduct risk MI it collects and also if the strategy changes in regard to such areas as policy, regulation & IT. This analysis should include such items such as: analysis linked to strategy, culture and risk management, it should be outcome focused, holistic, forward looking and be efficient & proportionate. This information should be produced in a timely & accurate manner and at all times be comprehensible & traceable

- Standards for monitoring and surveillance: Missing a reference to ensuring fair staff trading, appropriate systems to monitor and trading

7. Responsible Conduct in Regards to Lending and Leverage

- a. Where we are involved in providing lending and leverage services, we commit to ensure that leverage and lending is properly backed up, and that we are able to cover potential losses on the exchange side.
- b. Contracts for Difference (CFD's). Trading Platform providers and operators will abide by the jurisdictional restrictions imposed local regulators or supranational regulators. eg. those imposed by the European Securities & Markets Authority in its invention guidance of Aug 2018

9. Customer Asset Protection

- a. We undertake to follow the GDF Code of Conduct Principles for Custody and Custodians. *<insert final link to Custody Coc>*

10. OTC Activity

[use as example and include in discussion of Col and/or disclosure of capacity [Simon + David +Tyler]:

- Define relationship between a trading platform and its OTC activity (Tyler)
- Relationship: Are they acting as a market maker, are they trading against their customers?
- Disclosing capacity, disclosing best price principle and execution, access to information is very important (Dave)]

11. Conflicts of Interest

- a. In order to fulfil its regulatory duty, Trading Platform providers and operators shall take measures to identify, manage, prevent and/or disclose any conflicts of interests within its organisation, with its clients and between its clients to prevent conflicts of interest from adversely affecting the clients' interest.
- b. When defining actions, which may entail a conflict of interest, the existence of the following circumstances during the performance of a service provision function shall be assessed:
 - i. a relevant person makes or is likely to make a financial gain or avoid a financial loss on account of a client;

- ii. interests of the Trading Platform providers and operators or a relevant person in the provision of a service to a client or with regard to the outcome of a service provided on behalf of a client are distinct from the client's interests;
- i. Trading Platform providers and operators or a relevant person has a financial or other incentive to favour the interests of one client over the interests of another client;
- ii. Trading Platform providers and operators or a relevant person has business interests or is involved in the same area of business as the client;
- iii. Trading Platform providers and operators or a relevant person receives, in connection with the service provided to a client, inducements from a third party which are not part of the standard commission or fee for that service.