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## Abstract

Following a series of manipulation scandals in the global foreign exchange and money markets, recent lawsuits, regulatory reform proposals and bank compliance changes have explicitly targeted anti-competitive behaviour. By empirically investigating the determination of bid-ask spreads in foreign exchange swap markets, this paper addresses some contradictions where reciprocity, trust and conventions remain fundamental and logical. By doing so, the paper critically reflects upon the bid-ask spread in traditional market microstructure theory, the definition of the spread as a 'component of price' in antitrust law, and the policy implications in light of the recent regulatory investigations into financial benchmarks and OTC markets.

*JEL Classification Numbers:* D4, F3, G1, G3, K2

*Keywords:* Foreign exchange; LIBOR; market microstructure theory; bid-ask spreads; collusion; OTC markets.

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