

Minutes

The 1st Global Foreign Exchange Committee Meeting

24 May 2017

Location: Bank of England, Threadneedle Street, London, EC2R 8AH

Attendees: AUSTRALIA – Australian Foreign Exchange Committee

Reserve Bank of Australia: Matthew Boge and Guy Debelle

EBS BrokerTec: Darryl Hooker

BRAZIL – Foreign Exchange Committee

Banco Itau BBA: Marco Antonio Sudano

CANADA –Canadian Foreign Exchange Committee

Bank of Canada: Paul Chilcott, Robert Ogradnick and Harri Vikstedt

Royal Bank of Canada: Ed Monaghan

CHINA – Foreign Exchange Committee

People's Bank of China: Li Bo

China Foreign Exchange Trade System: Sun Jie

State Administration of Foreign Exchange: Qiao Linzhi

Bank of China: Zhang Qingsong

EURO AREA –Foreign Exchange Contact Group

European Central Bank: Christophe Beuve, Guy-Charles Marhic and Torsti Silvonen

Banque de France: Imène Rahmouni-Rousseau

Société Générale: Cédric Beaurain

HONG KONG – Treasury Markets Association

Hong Kong Monetary Authority: Keith Kwok

Bank of China: Chordio Chan

INDIA – Foreign Exchange Committee

Reserve Bank of India: Radha Shyam Ratho

FX Dealers' Association of India: Ashwani Sindhwan

JAPAN – Tokyo Foreign Exchange Market Committee

Bank of Japan: Hirotaka Inoue

The Bank of Tokyo-Mitsubishi UFJ: Akira Hoshino

MEXICO –Mexican Foreign Exchange Committee

Banco de Mexico: Mayte Rico Fernández

Banco Ve por más: Gilberto Romero

SINGAPORE – Singapore Foreign Exchange Market Committee**Monetary Authority of Singapore:** Cindy Mok**OCBC Bank:** Lam Kun KinSOUTH AFRICA – Financial Markets Liaison Group’s Foreign Exchange Sub-committee**South African Reserve Bank:** Zafar Parker**Investec Bank Ltd:** David GraceySOUTH KOREA – Seoul Foreign Exchange Committee**Bank of Korea:** Sangjoon Ahn**Kookmin Bank Financial Group:** Min Hyuk Kang and Jong Hyun KimSWEDEN - Scandinavian Foreign Exchange Committee**Sveriges Riksbank:** Meredith Beechey Österholm**SEB:** Stina NorrhedeSWITZERLAND – Foreign Exchange Market Roundtable**Swiss National Bank:** Barbara Döbeli and Marcel Zimmermann**Swiss Re:** Ernst LienhardUK – London Foreign Exchange Joint Standing Committee**Bank of England:** Grigoria Christodoulou, Chris Cox, David Edmunds, Jonathan Grant, Rebecca Jackson, Hannah Reynolds and Chris Salmon**CLS:** David Puth**Millennium Global Investments Limited:** Lisa Scott Smith**US – New York Foreign Exchange Committee****Federal Reserve Bank of New York:** Christina Getz, Anna Nordstrom, Jamie Pfeifer, Simon Potter and Benjamin Snodgrass**JP Morgan:** Troy Rohrbaugh**Bank for International Settlements – Markets Committee****Monetary Authority of Singapore:** Jacqueline Loh**Bank for International Settlements:** Konstantinos Tsatsaronis

Item no. Minute

1. **Endorsement of the final FX Global Code**
Representatives from the foreign exchange committees (FXCs) and central banks present unanimously endorsed the complete FX Global Code ('the Code'), which would be published on 25 May 2017.
2. **Formation of the GFXC**
The [terms of reference](#) for the new Global Foreign Exchange Committee (GFXC, or 'the Committee') were approved. It was noted that the BIS Markets Committee had also discussed the proposed terms of reference, including the relationship between the two committees and was content with the proposals.

Chris Salmon (Bank of England) was nominated and approved as Chair. David Puth was nominated and approved as private sector Vice-Chair. Under the Committee's terms of reference each chair and vice-chair would normally serve for two years. David Puth stated his intention to serve as Vice-Chair for one year. This would provide continuity of leadership to work on the FX Global Code since he had been chair of the Market Participants Group, however, it would also set up a pattern whereby only one of the Chair or Vice-Chair would usually change each year.

Arrangements for the Secretariat were discussed and the Committee noted that members wishing to join the Secretariat should put themselves forward. There was an expectation that members from the more established foreign exchange committees (FXCs) would be able to dedicate resource and expertise on a more regular basis.

3. **Legal considerations and support for the Committee**

Jonathan Grant noted the need for the Committee to take care to ensure that the GFXC did not facilitate or act as the focus for anti-competitive behaviour.

It was agreed that a central bank lawyers group should be formed to support the Committee. Representatives were requested to send their nominations for members of this group to the Secretariat. One of the first tasks of the group would be to prepare a draft set of antitrust guidelines for the Committee.

4. **Approval of press release**

The Committee approved the [text of a press release](#) which would be issued on 25 May to announce its formation and the endorsement of the Code by the member FXCs. It was noted that in the press release to be issued on the same day by the BIS, the Global Economy Meeting central bank governors would welcome both the publication final Code and the establishment of the GFXC.

5. **Work plan for the GFXC**

The work of the GFXC was expected to focus on ensuring that the Code remained relevant and reflective of good practice and on promoting adherence to the Code. At the meeting, members discussed (i) a proposal to issue a [request for feedback](#) on certain aspects of principle 17 of the Code on last look practices; (ii) consideration for establishment of public registers for holding details of institutions that had signed a Statement of Commitment to the Code; and (iii) the conduct of regular surveys to support assessments of the Code's effectiveness against its objectives.

I. Launch of the Request for Feedback on Last Look

The language in the Code (specifically principle 17) describes trading activity during the last look window as likely inconsistent with good market practice. During the drafting process there had been significant debate on this wording. The Committee agreed to issue a paper requesting feedback ("Feedback Request") from the market on whether the wording around trading during the last look window was appropriate or could be improved. During the GFXC discussion some minor amendments to the text of the Feedback Request were agreed with the intention of signalling clearly to respondents that they should focus their responses on the two questions set out in the Feedback Request.

The Committee was keen to ensure that the feedback process ran for long enough so that a broad range of market participants who had not yet been directly involved in the discussions would be able to engage with the questions and have time to prepare and submit informed responses. It was agreed therefore that the consultation process should run from 25 May to 21 September 2017. The Committee asked the Secretariat to notify relevant associations of the request for feedback.

II. Public Registers

The Committee discussed a working paper which set out proposed next steps to encourage the establishment of public registers of institutions which had signed a Statement of Commitment to the Code. The Committee was strongly supportive of the proposal, and saw their establishment as a key part of the overall adherence strategy for the Code.

The Committee agreed to finalise a set of high level principles for the creation of public registers and commissioned the Secretariat to set out these principles in a document which would, upon approval by the Committee, be published on the GFXC website. This would give potential providers of public registers information on the purpose, scope and envisaged format of such registers.

The Committee agreed in principle that if, as seemed likely, a number of registers

would be established over time, focused for example on different segments of the market or particular geographical locations, then there may in future be a role for the GFXC in providing a “Global Index of Registers”. The Committee agreed to return to consideration of this question once more concrete progress had been made with individual registers

III. Global Code Survey

The Committee was strongly supportive of conducting a survey to measure baseline market awareness and expectations of the Code. The Committee also noted that such a survey could be a helpful tool in raising broad market awareness of the Code. It was agreed that the survey should run after the closure of the last look feedback window (21 September 2017). The Committee reviewed a set of draft survey questions designed to generate results in four broad areas, namely (i) how awareness of the Code had permeated the different types of FX market participants; (ii) how important respondents felt their commitment to adhere to the Code was to their firm; (iii) whether and how their firm intended to adhere to it; and (iv) the expected effects of the Code on market functioning. It was agreed that the survey should request some high level respondent information such that data could be analysed across different jurisdictions and types of market participants.

6. Updates from member FXCs (Roundtable)

Representatives from each of the jurisdictions present provided an update on their recent activities, developments and issues. For those in the process of establishing new FXCs or similar bodies this included an update on progress.

For many of the established committees, much of the work plan for the past 12 months had been focused around the development and launch of the Code as well as the associated adherence strategy. Some FXCs also provided updates on topics including planned changes to their membership composition (in several cases designed to ensure broader representation of buy-side institutions), coordination of business continuity and crisis management arrangements, the use of data surveys to better gauge market activity, and structural changes in local markets. Developments in FX benchmarks, their provision and fixing methodologies, remained a topic of interest for a number of FXCs.

Members noted the need to consider outreach on the Code to jurisdictions not currently participating in the GFXC. This would be a key workstream for the Committee going forward.

7. Developments associated with changes to the Benchmark fixing window

Neill Penney (Co-Head of Trading, Thomson Reuters) updated the Committee on recent developments in the WM/R 4pm London fix. Mr Penney provided an overview of the changes in the governance arrangements and methodologies underpinning the fixing process. He also shared some broad observations on market behaviours in and around the fixing window, with a focus on changes since the move to a 5-minute window (from 1-minute).

The Committee discussed the trends observed around the fixing window, including overall trading direction, volumes and volatility. The possible influence of algorithmic trading was also discussed.

8. Recent developments in local markets: Developments in Asian Markets

Lam Kun Kin updated the Committee on recent developments in Asian markets. The update focused on trends in FX market activity in Asia including growth in FX volume and the driving factors. The increase in activity of non-bank market participants such as asset managers, hedge funds, commodity trading houses and non-bank market makers were also discussed. The presentation included other factors potentially influencing Asian FX market activity, for example the implications of trade, capital flows, regulatory developments and changes in monetary policies. The Committee discussed trends in liquidity conditions throughout the day from the

perspective of a market participant in Asia.

9. **Next Steps**

The Chair reminded the Committee that the final Code would be published at 0900 BST the following day, alongside the FX Working Group's report on Adherence and the Feedback Request on Last Look practices. At the same time, the GFXC would issue a press release announcing its formation and welcoming the publication of the Code on a new website, www.globalfxc.org. There would be a number of follow-up events on the Code launch with the press.

It was provisionally agreed that the GFXC would meet next in November 2017. Agenda items for this meeting would include a review of the feedback received on last look and an update on the baseline survey.

Volunteers to host the May 2018 meeting were requested to contact the Secretariat.