

# Minutes

## Global Foreign Exchange Committee Meeting

27 June 2018

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Location: Johannesburg, South Africa

Chair: Simon Potter (Federal Reserve Bank of New York)

Vice-Chairs: Adrian Boehler (BNP Paribas) and Akira Hoshino (MUFG Bank)

Attendees: AUSTRALIA – Australian Foreign Exchange Committee

**Public Representative:** Christopher Kent (Reserve Bank of Australia)

**Private Representative:** Mark Lawler (National Australia Bank Group)

**Other Attendees:** Matthew Boge (Reserve Bank of Australia) and Darryl Hooker (EBS BrokerTec)

BRAZIL – Foreign Exchange Committee

**Public Representative:** Rogerio Lucca (Banco Central do Brasil)

CANADA – Canadian Foreign Exchange Committee

**Public Representative:** Paul Chilcott (Bank of Canada)

**Private Representative:** William Kellett (Scotiabank)

**Other Attendees:** Ilya Vorobyev (Bank of Canada)

CHINA – Foreign Exchange Committee

**Public Representatives:** Peng Lifeng (People's Bank of China) and Sun Jie (China Foreign Exchange Trade System)

**Private Representative:** Zhang Qingsong (Bank of China)

**Other Attendees:** Lu Zhiwang (State Administration of Foreign Exchange)

EURO AREA – Foreign Exchange Contact Group

**Public Representative:** Torsti Silvonen (European Central Bank)

**Euro Area Central Bank Observer:** Vincent Legroux (Banque de France)

**Private Representative:** Cédric Beaurain (Société Générale)

**Other Attendees:** Volker Enseleit and Roswitha Hutter (European Central Bank)

GEORGIA - Foreign Exchange and Bond Market Treasury Association

**Public Representative:** Archil Mestvirishvili (National Bank of Georgia)

HONG KONG – Treasury Markets Association

**Public Representative:** Kim-Hung Li (Hong Kong Monetary Authority)

**Private Representative:** Chordio Chan (Bank of China Hong Kong)

**Other Attendees:** Jason Tsai (Bank of China Hong Kong)

INDIA – Foreign Exchange Committee

**Public Representative:** Radha Shyam Ratho (Reserve Bank of India)

**Private Representative:** Ashwani Sindhwan (FX Dealers' Association of India)

JAPAN – Tokyo Foreign Exchange Market Committee

**Public Representative:** Hiroshi Shigemoto (Bank of Japan)

**Private Representative:** Akira Hoshino (MUFG Bank)

**Other Attendees:** Kenji Takagi (Bank of Japan) and Richard Smithyes (MUFG Bank)

MEXICO – Mexican Foreign Exchange Committee

**Public Representative:** Mayte Rico (Banco de Mexico)

**Private Representative:** Gilberto Romero (Banco Ve por más)

SINGAPORE –Singapore Foreign Exchange Market Committee

**Public Representative:** Jacqueline Loh (Monetary Authority of Singapore)

**Private Representative:** Lam Kun Kin (OCBC Bank)

**Other Attendees:** Cindy Mok (Monetary Authority of Singapore)

SOUTH AFRICA – Financial Markets Liaison Group's Foreign Exchange Sub-committee

**Public Representative:** Zafar Parker (South African Reserve Bank)

**Private Representative:** David Gracey (Investec Bank Ltd)

**Other Attendees:** Andries Tshishonga, Aurelia Makgato, Lucy Mabuza and Mpumi Ngwenya (South African Reserve Bank)

SOUTH KOREA – Seoul Foreign Exchange Committee

**Public Representative:** Namhyun Cho (Bank of Korea)

**Private Representative:** Sangsoo Kim (Korea Development Bank)

SWEDEN - Scandinavian Foreign Exchange Committee

**Public Representative:** Meredith Beechey Österholm (Sveriges Riksbank)

**Private Representative:** Svante Hedin (SEB)

SWITZERLAND – Foreign Exchange Market Roundtable

**Public Representative:** Marcel Zimmermann (Swiss National Bank)

**Private Representative:** Ernst Lienhard (Swiss Re)

**Other Attendees:** Barbara Döbeli (Swiss National Bank)

UK – London Foreign Exchange Joint Standing Committee

**Public Representatives:** Andrew Hauser and Rohan Churm (Bank of England)

**Private Representative:** Neill Penney (Thomson Reuters)

**Other Attendees:** Gavin Wallis, Tom Lynch and Charlotte Pope-Williams (Bank of England)

US – New York Foreign Exchange Committee

**Public Representative:** Anna Nordstrom (Federal Reserve Bank of New York)

**Private Representative:** Troy Rohrbaugh (JP Morgan)

**Other Attendees:** Christina Getz, Jamie Pfeifer, Benjamin Snodgrass and Suzanne Elio (Federal Reserve Bank of New York)

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**Item no. Minute****1. Welcome**

Simon Potter (the Chair) welcomed the Global Foreign Exchange Committee (GFXC, or 'the Committee') members to the meeting and thanked the South African Reserve Bank (SARB) for hosting the GFXC. The Chair also welcomed Georgia, represented by Archil Mestvirishvili (National Bank of Georgia), as the Committee's first Associate Member.

**2. GFXC Leadership and buy-side liaisons**

Simon Potter (Federal Reserve Bank of New York) was nominated and approved as Chair. Adrian Boehler (BNP Paribas) and Akira Hoshino (MUFG Bank) were nominated and approved as private sector Co-Vice Chairs. Under the Committee's [Terms of Reference](#) each Chair and Co-Vice Chair would normally serve for two years. Simon Potter stated his intention to serve as Chair for one year, seeing out the term of former GFXC Chair Chris Salmon. This would provide continuity of leadership and reinstate the pattern whereby only one of either the Chair or Vice-Chairs would usually change each year.

The GFXC also agreed to establish a lead group of buy-side liaisons to serve as representatives to the GFXC in order to deepen the Committee's ongoing engagement with the buy-side segment of the global FX market.

**3. Competition/Antitrust Law Guidelines for Members**

Benjamin Snodgrass (Federal Reserve Bank of New York) gave an overview of the updated GFXC Competition/Antitrust Law Guidelines for members. The need for the Committee to take care to ensure that the GFXC did not facilitate or act as a focal point of any anti-competitive behaviour was noted. The Committee agreed to publish the [new guidelines](#) on the GFXC Website.

**4. Negative Pre-Hedging examples**

The Committee discussed draft negative examples related to Principle 11 of the FX Global Code (Code) that were developed as agreed by the GFXC in [November 2017](#). This discussion included feedback on the draft text that was received by the local FX Committees from across the various regions represented. In addition to comments on the text, the Committee also reflected on the process to develop the examples including challenges around how to concisely articulate complicated scenarios and the need for longer timeframes for review. The Committee agreed to add one example to the Code's Annex. This example was viewed as clearly highlighting negative behavior. It was also considered a useful addition to the Code since Principle 11 already has two positive examples associated with it. In addition, the GFXC agreed to continue discussing the themes that emerged and use them to inform work streams going forward.

**5. Cover and deal**

The GFXC Cover and Deal working group was established in response to feedback received during the GFXC's Request for Feedback on Last Look practices in the Foreign Exchange Market which highlighted 'cover and deal' type trading activity in the Last Look window. The working group investigated in more detail the role that these trading models play in the foreign exchange market and the interactions between Intermediate Providers and End Users. The Intermediate Providers are Market Participants that use these cover and deal models to reduce the market risk from trade requests that they receive by engaging in offsetting transactions. End Users are Market Participants that make trade requests on prices quoted to them by Intermediate Providers.

The Committee discussed the initial findings which highlighted three key areas for consideration regarding: i) information leakage; ii) passing on price improvements;

and iii) disclosures. The Committee considered the findings and concluded that the working group should conduct further work to understand the role that disclosures currently play in informing End Users about how their trade requests are being handled by Intermediate Providers that may be utilising 'cover and deal' arrangements. The working group was encouraged to expand its participation to include more participants with direct experience of such arrangements.

## 6. **Disclosures and transparency**

The Committee discussed themes that emerged from the Disclosures working group including broad characteristics supporting effective, transparent, clear and instructive FX disclosures. In exploring the role that disclosures can play in establishing clarity around trading practices between Market Participants, the Disclosures working group made two recommendations for further work, which the GFXC supported: first, to develop and publish a list of questions and/or characteristics, separate from the Code, that a Market Participant may choose to use in developing or reviewing their own disclosures; and second, to identify any relevant challenges to appropriate transparency in regards to anonymous trading activity. The GFXC stressed the need to continue expanding this discussion across the diverse array of Market Participants.

## 7. **The Code at One Year - achievements**

The Committee considered the 'Code at One Year' discussion paper which reviewed developments during the first year since the Code was launched and potential priorities for the GFXC going forward. The Committee agreed that the 'Code at One Year' document should be revised following the meeting and published on the GFXC website alongside the minutes.

The Committee started with developments in the year since the Code was launched and received an overview of the findings which highlighted some notable achievements. The overview and discussion was focused around four areas: i) adoption of the Code; ii) GFXC Global Index and public registers; iii) outreach and awareness of the Code; and iv) a summary of global feedback on the Code.

### *I. Adoption of the Code*

The Committee discussed the various accomplishments of the last year, firstly noting how the Statement of Commitment (SoC) was being used to demonstrate adoption of the Code. Well over 300 Market Participants had published a SoC to the Code. There was a notable increase in momentum of Market Participants signing a SoC to the Code in the run up to the one year anniversary of its launch. The Committee attributed some of this momentum to the Central Banks, as sponsors of Local Foreign Exchange Committees (LFXCs), making LFXC membership contingent on signing a SoC, with many central banks setting a deadline of end-May 2018.

Feedback from LFXCs suggests Market Participants were: reviewing practices to align with the Principles of the Code; developing and using training programs around the Code; and revising and updating disclosures to take account of the Code. The Committee agreed these achievements demonstrated widespread adoption of the Code across the global market and the Code having a positive effect on market practices.

### *II. GFXC Global Index and public registers*

The Committee noted the establishment of 12 public registers, on which Market Participants may make their SoC publicly available, since the Code launched in May 2017. The GFXC was aware of another four public registers being developed. In addition, the GFXC had launched a Global Index of Public Registers (Global

Index) to enable the public to quickly identify whether a Market Participant has published a SoC on one or more participating public registers. The Global Index was launched in May 2018 and sourced information from eight public registers that met the [criteria](#) for inclusion at the time of the meeting.

The GFXC was continuing work on public registers and the Global Index with a view to make further improvements. The public registers not included in the Global Index would be considered for inclusion in the near future. The GFXC was working with the Bank for International Settlements to create a Central Bank Public Register. Other improvements to the Global Index such as a download feature and improvements to the search functionality were also being considered.

The Committee consider the increased number of public registers and creation of the Global Index as important developments that would help the GFXC to more effectively gauge adoption of the Code over time.

### *III. Outreach and awareness of the Code*

Georgia joined the GFXC as its first Associate Member. In addition, the GFXC is in contact with a number of other regions who may apply as full or Associate Members.

A number of existing GFXC members had established LFXCs in the last 12 months. The GFXC expanding its membership and the establishment of LFXCs in new jurisdictions was expected to play an important role in ensuring the Code was widely adopted and embedded around the world.

### *IV. Summary of global feedback on the Code.*

The GFXC gathered feedback from Market Participants on LFXCs across all GFXC member jurisdictions to gauge how well the Code had been adopted and implemented. Feedback was also sought to understand if the Code got anything clearly wrong and if there were any principles that the GFXC should re-consider. Common themes in the feedback recognised that adoption of the Code by sell-side institutions, central banks and FX market infrastructure providers had been good. However the rate of adoption had been much slower on the buy-side, although this had been anticipated. Feedback suggested that the Code was fit for purpose with no commonly held view on the need to review specific principles.

## **8. The Code at One Year - GFXC priorities for the next year**

The Committee considered the GFXC priorities for the next year based on the findings outlined in 'Code at One Year' paper and the discussions that followed. The Committee agreed four priority areas for the year ahead: i) buy-side outreach; ii) integration of the Code in the FX market; iii) disclosures and transparency; and iv) cover and deal.

### *I. Buy-side outreach*

The Committee agreed that further work to build on current momentum on buy side adoption of the Code should be a priority. A new buy-side outreach working group would be formed to work with industry bodies and Market Participants in the GFXC as well as representatives in the private sector and beyond, to find ways to make it easier for firms who have not yet signed up to engage with and commit to the Code. The group would work closely with the newly established buy side liaisons to most effectively communicate the benefits of the Code to buy-side Market Participants.

### *II. Integration of the Code in the FX market*

The Committee agreed that further work was needed to support the embedding and integration of the Code fully into the fabric of the FX market. A new Embedding the Code working group would be formed to focus on how the Code can, and is being, embedded and integrated in the FX market. The Committee

agreed that the first task for the working group would be to conduct another run of the GFXC FX Global Code Survey in late 2018 to help steer what this working group would focus on. The survey will be refined to ask questions related to how Market Participants are embedding the Code and ensuring regular engagement with it.

### *III. Disclosures and transparency*

The Committee agreed to continue work on disclosures and transparency to strengthen the landscape of FX disclosures (please refer to agenda item 6).

### *IV. Cover and deal*

The Committee agreed to consider the role that disclosures currently play in informing End Users about how their trade requests are being handled by Intermediate Providers (please refer to agenda item 5).

## 9. **Trends and developments in global FX markets**

The representatives from the SARB and the National Bank of Georgia provided [presentations](#) to the Committee on FX industry developments in their respective regions. The presentations included an overview of various trends in key aspects of the FX market in each country such as the level of average daily FX turnover, the types of active market participants and level of activity across various FX products. The SARB representative discussed the establishment of the SARB sponsored [South African Foreign Exchange Committee](#). The National Bank of Georgia representative also discussed the formation of a central bank sponsored FX Committee in Georgia.

Following the presentations, representatives from each of the remaining jurisdictions provided an update on recent activities, developments and issues in their regions. Many of the local Committee representatives provided an update on the number of Statements of Commitment that have been provided by local Committee members. Other topics that had been discussed in local committees included, but were not limited to, developments in the pricing of fixing orders given the FSB FX Benchmark recommendations as well as the guidance in the Code, potential changes to trading hours in certain regions, and awareness of how innovation and technology might impact the FX market.

## 10. **Next Steps**

The Chair summarised the points that had been agreed at the meeting noting that the Committee would publish a [press statement](#) following the meeting to provide an update on the new Chair and Co-Vice Chairs, updates on developments since launch of the Code and the GFXC's priorities for the year ahead. The Committee agreed to update and publish the 'Code at One Year' document, the new negative pre-hedging example and the new GFXC Competition/Antitrust Law Guidelines for members.

The Committee agreed four priority areas for the next year, including two new priorities; one focused on buy-side outreach and another on integration of the Code in the FX market. The GFXC also agreed to continue work on disclosures and transparency to strengthen the landscape of FX disclosures, and on work on issues related to 'cover and deal' arrangements.

The GFXC will next meet in Q4 2018. The location and date will be published on the GFXC website once confirmed.