

# Minutes

## Global Foreign Exchange Committee Meeting

29 and 30 November 2018

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Location: Paris, France

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

Vice-Chairs: Adrian Boehler (BNP Paribas)<sup>j</sup> 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)

BRAZIL – Foreign Exchange Committee

**Public Representative:** Alan Mendes (Banco Central do Brasil)

**Private Representative:** Marco Sudano (Itaubba)

CANADA – Canadian Foreign Exchange Committee

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

**Private Representative:** Russell Lascala (Deutsche Bank)

**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)

**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:** Iméne Rahmouni-Rousseau and Vincent Legroux (Banque de France)

**Private Representative:** Ankur Pruthi (Norges Bank Investment Management)

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

GEORGIA – Foreign Exchange and Bond Market Treasury Association

**Public Representative:** Lasha Jugeli (National Bank of Georgia)

HONG KONG – Treasury Markets Association

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

INDIA – Foreign Exchange Committee

**Public Representative:** Ishan Shukla (Reserve Bank of India)

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

JAPAN – Tokyo Foreign Exchange Market Committee**Public Representative:** Toshihisa Hirose (Bank of Japan)**Private Representative:** Akira Hoshino (MUFG Bank)**Other Attendees:** Kenji Takagi (Bank of Japan), Richard Smithyes (MUFG Bank)MEXICO – Mexican Foreign Exchange Committee**Public Representative:** Mayte Rico (Banco de México)**Private Representative:** Gilberto Romero (Banco Ve por más)SINGAPORE – Singapore Foreign Exchange Market Committee**Public Representative:** 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:** Richard De Roos (Standard Bank Group)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 Grigoria Christodoulou (Bank of England)**Private Representative:** Neill Penney (Refinitiv)**Other Attendees:** David Edmunds and Jonathan Grant (Bank of England)US – New York Foreign Exchange Committee**Public Representative:** Anna Nordstrom (Federal Reserve Bank of New York)**Private Representative:** Maria Douvas (Morgan Stanley)**Other Attendees:** Christina Getz, Jamie Pfeifer, Shawei Wang and Suzanne Elio (Federal Reserve Bank of New York)

**Day 1, 29 November****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 Banque de France for hosting the GFXC.

Jonathan Grant (Bank of England) gave an overview of the 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.

**2.             GFXC Working Group on "Cover and Deal"**

The Committee discussed the Cover and Deal working group's efforts to better understand the structure and use of 'cover and deal' in the global FX market. The working group presented a draft paper which was intended to provide an introduction to the 'cover and deal' trading practice and to highlight certain principles of the FX Global Code that Market Participants providing or using this trading structure should be certain to consider in the context of that activity, including but not limited to principles on last look, clarity of roles, and information usage. The working group engaged with a number of Market Participants with direct experience with such activity in shaping the draft informational paper and this engagement reinforced a perception that some Market Participants may be unaware that this activity is indeed relevant to them. The GFXC provided feedback on the draft paper and it was agreed that the paper would be published once refined to reflect the feedback at the meeting. In addition, the GFXC agreed that conducting further outreach going forward, using this paper, would be important to raise greater awareness regarding this trading activity and its relevance to the principles of the FX Global Code.

**3.             GFXC Working Group on "Disclosures"**

The Committee discussed the Disclosures working group's continued efforts to explore the role that disclosures can play in establishing clarity around trading practices between market participants and during various types of FX market activities. The working group presented a series of characteristics and topics to highlight as a voluntary tool for promoting transparency in an effort to support the efficacy of disclosures, encourage an associated dialogue, and thus promote adoption of the FX Global Code. In the context of anonymous trading platforms, the working group provided an update on the continuing work to evaluate potential challenges to appropriate transparency. The working group also proposed, and the GFXC agreed, that it would publish its findings around the general disclosures landscape.

**4.             GFXC Working Group on "Embedding the Code"**

The Committee discussed the GFXC's 2018 survey to measure the effects of the FX Global Code, one year on. This was the GFXC's second such survey, and was conducted by the Embedding the Code working group from September to October 2018. The preliminary results showed that 1) the vast majority of respondents are aware of the GFXC, and the FX Global Code; 2) adoption of the FX Global Code has grown since 2017, though adoption rates differ by sector, and most respondents use the Statement of Commitment; 3) the FX Global Code is primarily implemented at the business line level, by a variety of approaches; and 4) most respondents consider the FX Global Code to have had a positive effect on FX markets. The GFXC agreed to publish a summary of these results.

The Embedding the Code working group put forward a set of proposals for work to

take forward in 2019 all of which were approved by the Committee. In particular the working group will design a proposal on the overall architecture of material produced by the GFXC and published on its website. The working group will also conduct a review of how Statements of Commitment have been used by market participants since the introduction of the FX Global Code and identify learning points as well as any follow up actions with regards to public registers. The working group will design and run a survey in the second half of 2019 to continue to assess awareness of the FX Global Code and its impact on the FX market. Finally, the working group will also follow-up some of the 2018 survey findings regarding challenges around FX Global Code training.

#### 5. **GFXC Working Group on “Buy Side Outreach”**

The Committee received an update from the “Buy Side Outreach” working group, which was formed following guidance at the June 2018 GFXC meeting to build on the momentum of buy side adoption of the FX Global Code. The composition of the Buy Side Outreach working group was discussed, noting that it works in close consultation with the group of buy-side liaisons also established at the June 2018 meeting and that it aims for a broad representation of views from a variety of Market Participants to find ways to make it easier for firms who have not yet signed up to the FX Global Code, to engage with and commit to the Code.

The Committee discussed themes that emerged from the working group’s initial findings including the lack of awareness, lack of perceived relevance and lack of understanding how to implement the FX Global Code by certain market participant types. The working group proposed to the GFXC that the group conduct further work focusing on articulating the benefits related to adopting the FX Global Code and making the adherence related material more accessible. The working group also suggested to continue expanding the GFXC’s engagement in buy-side focused industry events in close cooperation with local Foreign Exchange Committees (LFXCs) and to schedule a webinar with buy-side liaisons focusing on their institutions’ motivation and benefits of adherence. The GFXC supported the proposal and encouraged greater engagement by LFXCs and agreed with the buy-side liaisons’ webinar proposal.

#### 6. **GFXC Secretariat Update**

The Secretariat co-leads provided an update on the activities of the GFXC Secretariat in supporting the GFXC in its ongoing work and evolution. Focus was on the launch of the [Global Index of Public Registers](#), which acts as a central location that links twelve participating Public Registers, including the recently launched BIS public register for central banks, and offers a search function for Statements of Commitment to the FX Global Code on those registers. It was noted that across the FX Global Code and the Global Index and its additional content, the GFXC website traffic has grown and is an important tool for GFXC communications. The discussion concluded with a look ahead, focusing on potential future changes to the terms of reference in light of the evolution of the GFXC work and structure. The next GFXC meeting will be hosted in Tokyo on 22 - 23 May 2019.

#### 7. **Next Steps**

The first day of the GFXC meeting concluded with an agreement that the GFXC would publish a [press release](#) at the end of the day to highlight the outcomes of the first day of discussions, with a particular focus on the next steps for the GFXC working groups.

**Day 2, 30 November****Item no.      Minute****1.                GFXC Tour de Table**

The GFXC Vice-Chairs, Mr Boehler and Mr Hoshino, facilitated a discussion on recent developments and emerging trends in foreign exchange markets. Topics raised included the increased prominence of non-bank liquidity providers, the rising demand for algorithmic execution, the use of machine learning and the changing FX payment and settlement landscape.

Representatives from each of the GFXC jurisdictions provided an update on recent activities, developments and issues in their regions. In line with the GFXC's priorities, a number of the local committees have intensified their efforts to reach out to buy-side market participants and increase awareness about, and adoption of, the FX Global Code. Other topics that had been discussed in local committees included, but were not limited to, the impact of the unforeseen market holidays in Japan on FX settlement dates in April and May 2019 (summarised [here](#)); the continued 'electronification' of FX markets and preparations for the 2019 BIS Triennial survey.

**2.                Topical Presentation on Global Reference Rate Reform and Potential Key Issues for the FX Swaps Market**

The GFXC discussed the global reference rate reform efforts, including the developments set out in the November 2018 progress report by the Financial Stability Board Official Sector Steering Group (FSB OSSG), as well as the implications for the global FX market. In particular, interest rate benchmarks are featured in the pricing and contractual terms of many FX products e.g. cross currency basis swaps. Hence, changes in such interest rate benchmarks and the different pace of evolution and transition could have implications on the functionality of the FX market. The meeting also discussed the level of industry preparedness for the upcoming changes and the importance of industry involvement in understanding and addressing these issues.

**3.                Next Steps**

The final day of the GFXC meeting concluded with a review of key next steps, with a particular focus on the next steps for the GFXC working groups. This included further refinements to the Cover and Deal and Disclosure and Transparency working group papers to reflect the feedback at the meeting, and subsequent publication of those materials as well as guidance on future work. This also included agreement to publish findings from the GFXC's second survey to measure the effects of the FX Global Code and support for the Buy Side Outreach working group to organize a dedicated event for the buy side around the FX Global Code. GFXC members were thanked for their participation.

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<sup>i</sup> Note: Adrian Boehler stepped down as Co-Vice Chair of the GFXC on 7 February 2019.