

Minutes

Global Foreign Exchange Committee Meeting

22 and 23 May 2019

Location: Tokyo, Japan

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

Vice-Chair: Akira Hoshino (MUFG Bank)

Attendees: AUSTRALIA – Australian Foreign Exchange Committee

Public Representative: Christopher Kent (Reserve Bank of Australia)

Private Representative: Stuart Simmons (QIC)

Other Attendees: Matthew Boge (Reserve Bank of Australia)

BRAZIL – Foreign Exchange Committee

Public Representative: Alan Mendes (Banco Central do Brasil)

CANADA –Canadian Foreign Exchange Committee

Public Representative: Paul Chilcott (Bank of Canada)

Private Representative: William Kellett (Scotiabank)

Other Attendees: Zahir Antia (Bank of Canada)

CHINA – Foreign Exchange Committee

Public Representatives: Lifeng Peng (People's Bank of China)

Private Representative: Yu Sun (Bank of China)

Other Attendees: Tianjiao Qi (State Administration of Foreign Exchange) and Yuqing Li and Ying Hu (China Foreign Exchange Trade System)

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: Ankur Pruthi (Norges Bank Investment Management)

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

GEORGIA - Foreign Exchange and Bond Market Treasury Association

Public Representative: Lasha Jugeli and Giorgi Laliashvili (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: Hok Lam Wong and Siu Ping (Bank of China Hong Kong)

INDIA – Foreign Exchange Committee

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

Private Representative: Kumar Ashwani (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:** Naoya Kikuta and Kenji Takagi (Bank of Japan) and Ayaka Sasaki (MUFG Bank)MEXICO – Mexican Foreign Exchange Committee**Public Representative:** Juan Garcia (Banco de Mexico)**Private Representative:** Gilberto Romero (Banco Ve por más)**Other Attendees:** Mayte Rico (Banco de Mexico)RUSSIA – Moscow Foreign Exchange Joint Standing Committee**Private Representative:** Sergey Romanchuk (Metallinvest Bank)SINGAPORE –Singapore Foreign Exchange Market Committee**Public Representative:** Cindy Mok (Monetary Authority of Singapore)**Private Representative:** Lam Kun Kin (OCBC Bank)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 of South Africa)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)**Other Attendees:** Anders Gange (Sveriges Riksbank)SWITZERLAND – Swiss Foreign Exchange Committee**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 (Bank of England)**Private Representative:** Neill Penney (Refinitiv)**Other Attendees:** Christina Boykiw, Grigoria Christodoulou, and Tim Taylor (Bank of England)US – New York Foreign Exchange Committee**Public Representative:** Anna Nordstrom (Federal Reserve Bank of New York)**Private Representative:** Chris Vogel (TD Bank)**Other Attendees:** Suzanne Elio, Michael Held, and Jamie Pfeifer (Federal Reserve Bank of New York)

Day 1, 22 May

**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 Bank of Japan (BOJ) for hosting the GFXC. Welcome remarks were also provided by the Bank of Japan on behalf of Mr. Shimizu, Director-General Financial Markets Department.

2. GFXC Organization and Governance

Michael Held (Federal Reserve Bank of New York) gave an overview of the [Competition/Antitrust Law Guidelines for Members of the Global Foreign Exchange Committee](#). 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.

Simon Potter discussed updates to the GFXC Terms of Reference. It was noted that the proposed revisions provided greater detail around a number of areas including, but not limited to, the leadership and membership frameworks, member responsibilities, the role of the Secretariat in supporting the GFXC, and new sections on working groups and the competition guidelines. Members were thanked for their feedback and the new [Terms of Reference](#) was agreed and adopted.

Simon Potter, whose term as GFXC Chair was concluding, thanked members for their input on the selection of the next Chair of the GFXC. Guy Debelle, of the Reserve Bank of Australia (RBA), was nominated and elected to serve as the next Chair of the GFXC. Representatives from the RBA shared a message from Mr. Debelle, noting that he was "very honoured to be nominated to chair the GFXC [and is] looking forward to leading the GFXC in continuing the work to promote the integrity and effective functioning of the Foreign Exchange market."

Simon Potter provided an update on the selection of a new Co Vice Chair to serve alongside Akira Hoshino. Members discussed and provided input on the criteria and process for the selection. It was agreed that the GFXC Secretariat would develop the procedures for the selection of the Chair and Co Vice Chairs reflecting the feedback received by the Committee members.

Simon Potter noted that the Moscow Foreign Exchange Joint Standing Committee (Moscow FXJSC) had applied for full membership to the GFXC. Mr. Potter confirmed that there were no objections to the application and the Moscow FXJSC was welcomed as a new, full member to the GFXC. Mr. Potter indicated that engagement with other potential new members is ongoing and that the GFXC Secretariat would keep the GFXC informed.

3. GFXC Working Group on "Cover and Deal"

The Committee discussed the Cover and Deal Working Group's efforts to broaden understanding within the industry about how the Code's principles of good practice should be applied to this trading model. The [GFXC Report on Cover and Deal](#) had been published in February and the Committee was informed that the Working Group had arranged for several major E-Trading platforms to distribute the Report to their client base. The Working Group had also contacted various industry associations and consulting groups to inform them of the Report's publication. It was recognised that there remained a general lack of awareness around this trading model within the market. A webinar on the topic is planned for the 2nd half of the year.

The Committee then discussed several draft examples on 'cover and deal' that the Working Group had developed for possible inclusion in the Code's Annex. With slight modifications, the Committee agreed that [one example](#) could be included in future updates to the Code. The Committee also discussed certain scenarios where anonymous trading was used in 'cover and deal' trading models. It was agreed that the Disclosures Working Group should further consider the issues raised by anonymous trading in this context.

4. **GFXC Working Group on “Disclosures”**

The Committee discussed progress made by the Group, focusing on the work since the publication of the [“Global Foreign Exchange Committee Report: The Role of Disclosure and Transparency in the Global FX Market”](#) in February 2019.

It was noted that this work followed up on the perceived challenges to understanding aspects of trading capacities and behaviors on anonymous E-Trading Platforms identified in the February Report. It has focused on two areas—(1) identifying key relevant themes to shape the future work; and (2) setting out a framework for mapping the flow of information across key types of market participants (and the variation across that flow) in this segment of the market landscape.

Some of the key themes discussed—and which were agreed to be important in shaping the work forward—included:

- that anonymous E-Trading Platforms are key elements of the FX market structure. They can cover a broad spectrum of anonymity and have varying practices and levels of anonymity;
- that the various roles in which a Market Participant can act on an anonymous E-Trading Platform can add complexity to understanding the flow of information; and
- that methods to engage in a dialogue regarding expectations and transparency around counterparty behavior can be complicated by the anonymous nature of some platforms.

Members also provided feedback on a draft framework for setting out a high-level flow of information across key parties throughout their engagement on an anonymous E-Trading Platform. Key components of the framework were discussed, including:

- Key mechanisms of information flow including disclosures, price streams, unique identifiers, settlement communications, and account managers/end of day reports.
- Key roles in which a Market Participant can act on an anonymous E-Trading Platform including, the platform itself, a liquidity provider, a liquidity consumer, and a prime broker.
- Key stages of engagement including, on-boarding, pre-trade, execution, and post-trade.

Members agreed that the framework set out a reasonable structure for summarizing high level themes in the flow of information in this segment of the market and the broad variations across the segment.

The GFXC agreed that the Working Group should continue its work building on the themes and the framework above to produce a draft paper ahead of the next GFXC meeting with the aim to publish a report similar to the February 2019 Report on “Cover and Deal” and provided feedback to help shape that work. It was agreed that the report should promote greater awareness of this segment of the market, draw on the disclosures characteristics set out in the February 2019 Report on “Disclosures,” highlight key principles that Market Participants should be particularly cognizant of in the context of anonymous E-Trading Platforms, and provide recommendations for relevant areas of work for the GFXC’s Three Year review of the Code.

The GFXC also agreed that the Group should reflect on the draft examples produced by the Working Group on “Cover and Deal” related to the anonymous E-Trading Platform landscape as it continues its work.

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

The Committee received an update from the “Buy Side Outreach” Working Group, which was formed to build on the momentum of buy side adoption of the FX Global Code following guidance at the June 2018 GFXC meeting.

The Working Group updated the Committee on its extensive engagement efforts over the preceding six months and presented several materials and tools it has developed, which aim to make it easier for firms that have not yet signed on to the FX Global Code, to engage with and commit to the Code. These materials address feedback received from a wide range of Market Participants, 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 has also developed [presentation material](#) and hosted a [webinar](#) with representatives from buy-side firms outlining their motivation to adherence and the benefits of the Code.

The Working Group proposed to finalise additional guidance material by the next GFXC meeting and encouraged local FX Committees (LFXCs) to expand their engagement efforts within their jurisdictions.

The GFXC agreed to publish the materials and tools on the GFXC webpage and supported the proposal and encouraged greater engagement by LFXCs to help socialize and increase adoption with buy side firms.

6. **GFXC Working Group on “Embedding the Code”**

The Committee reviewed how the Statement of Commitment was being used by Market Participants, focusing in particular on the queries and feedback the Secretariat had received over the previous 12 months. Guidance already provided on the GFXC website, together with the material produced by the Buy Side Outreach Group, would address the majority of the questions received by the Secretariat. The new structure of the GFXC website, due to be launched in June 2019, would also help streamline the information and improve accessibility. Where existing guidance did not fully cover frequently asked questions, typically around adherence, the Working Group were tasked with producing additional text for consideration at the next GFXC meeting.

Members were pleased to note that usage of the [Global Index of Public Registers](#) continued to grow since its launch in May 2018. The Index aggregated Statements of Commitment from 16 Public Registers around the world and was one of the most visited pages on the GFXC website. The Committee approved a set of suggestions to further enhance how the data were accessed on the website.

The GFXC discussed the structure, timelines and target population for the 2019 survey. Members agreed to broaden and increase the survey population. The survey structure will be updated and include two sections: one will be fixed and collect background information and key metrics; the second will vary across surveys and focus on areas of interest for the Committee at the time. Members suggested that this year the survey could include questions on disclosures as well as electronic trading. The 2019 survey was expected to run along similar timelines to the 2018 one, with the results being discussed at the December 2019 GFXC meeting. Exploring one of the themes that emerged from the 2018 survey, the Committee discussed the role of education in embedding the Code. While the majority of survey respondents reported that they used staff training to embed the Code in their organisations, a bit over a third also noted that setting an appropriate level of training was one of their biggest challenges. Further examination of the data, a review of available Code-related training and discussions with market participants led the Committee to conclude that it was not necessary for the GFXC to adopt a role in relation to training at this time. The GFXC will continue to promote the use of training in embedding the Code.

7. **Three Year Review Planning**

The Committee discussed its mandate to review the case for a comprehensive review of the Code at least every three years as set out below in the [Terms of Reference](#):

“At least every three years, the Committee will review the case for, and when judged appropriate, undertake, a comprehensive review of the Code. The Committee will initiate a consultative process to solicit feedback from market participants as part of a comprehensive review or, at its discretion in relation to specific market practices within the FX market, to help inform evolution of the Code.”

The Committee noted that the first three year review would fall in 2020. Members agreed that the expectation was that this would be a targeted, rather than a comprehensive review, and would likely focus on areas most impacted by the evolution of e-trading to maintain the relevance of the Code’s existing principles. The Committee agreed that it was important to get as much feedback as possible as it establishes the framework for the review, for example through use of the GFXC Survey to be conducted later in the year, feedback from the local FX committees, information from the BIS Triennial Survey, and a more targeted outreach program.

The GFXC aimed to discuss the input received across these channels at its next GFXC meeting in late 2019 and would communicate the planned scope of the review shortly thereafter.

8. **GFXC Secretariat Update**

The Secretariat co-leads provided an overview of the GFXC Secretariat activities supporting the Committee in its ongoing work and evolution. Updating the GFXC Terms of Reference and steering the expansion of the GFXC membership were two key areas of focus for the group. Work to update the GFXC website, to reflect the new architecture of material produced by the Committee and enhance accessibility, was ongoing. Looking ahead, the Secretariat will continue to formalise the suite of processes it has put in place to discharge its responsibilities. The group will also develop the procedures for the selection of the Chair and Co Vice Chairs reflecting the feedback received by the Committee members.

9. **Day 1 Wrap Up and 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. The statement would provide an update on the progress from the first day of the meeting, including the adoption of the new Terms of Reference, the selection of the new Chair, the addition of the Moscow FXJSC as a new full member to the GFXC, updates on the four Working Groups, plans for the three-year review of the FX Global Code, and expectations for the second and final day of the meeting, including the planned discussion on “flash crash events” in FX markets.

The GFXC also agreed that its next meeting would take place in early December in Sydney, Australia.

Day 2, 23 May**Item no. Minute****1. GFXC Tour de Table**

The Committee discussed recent developments and trends in the FX market. The prevailing low FX volatility was a key feature of the market over the previous six months, with meeting participants noting the impact central bank policies have had. For some, the increasing use of systematic trade execution strategies had the potential of producing sudden volatility spikes under certain conditions. More broadly, members observed that FX turnover volumes in April were low suggesting that the BIS triennial survey results would also show a decline since 2016.

Representatives from each GFXC member provided an update on recent activities, developments and issues in their region. Preparations for the transition to risk free reference rates was a common theme across the committees, as were continued efforts to increase awareness of, and adherence to, the Code in the buy-side community. The increasing use of algorithmic execution in FX, and what that meant for the structure of the market and governance structures was a topic of discussion in some regions, as were developments in the retail FX trading space.

2. Flash Crash Events in FX Markets: Lessons Learned and Potential Implications

The Committee discussed FX market flash events. Akira Hoshino (MUFG Bank) provided a presentation which included observations on the mechanism and characteristics of the USD/JPY flash events on 3 January 2019.

Toshihisa Hirose (Bank of Japan) also expressed views on flash events from a central bank perspective. Based on the actual experience both on 3 January and Japan's long national holiday, "Golden Week", he highlighted the usefulness of close communication among relevant entities in addition to utilizing market data.¹

To better understand the FX market flash events, the Committee also discussed various features observed at each stage of the event, including potential causes, impacts across the marketplace and possible responses by the GFXC. At the same time, the Committee raised topics such as the increased presence of retail aggregators, non-bank liquidity providers and thriving demand for algorithmic execution by buy-side market participants.

3. Next Steps

The final day of the GFXC meeting concluded with a summary of key next steps, with a particular focus on the preparations for the three year Code review and progressing work on the Committees' priority areas. Members agreed to the publication of the supporting material produced by the Outreach Working Group alongside the meeting minutes in July and reiterated their strong commitment to increasing awareness of the Code and promoting adherence to it. The 2019 GFXC survey was expected to provide further insight on areas of interest including disclosures and electronic trading. The Disclosures working group undertook to produce a draft report on the particular considerations for disclosures in the anonymous trading segment for the FX market. Bringing its work to a close, the Cover and Deal Group intended finalise an example for future inclusion in the Code. The GFXC members thanked Simon Potter for his leadership and the significant contributions he had made to work of the GFXC since its inception.

¹ The Tokyo FXC's notes from the Golden Week can be found [here](#).