

Minutes

Global Foreign Exchange Committee Meeting

4 and 5 December 2019

Location: Sydney, Australia

Chair: Guy Debelle (Reserve Bank of Australia)

Vice-Chairs: Akira Hoshino (Citi) and Neill Penney (Refinitiv)

Attendees: AUSTRALIA – Australian Foreign Exchange Committee

Public Representative: Christopher Kent (Reserve Bank of Australia)

Private Representative: Stuart Simmons (QIC)

Other Attendees: Matthew Boge and Jason Griffin (Reserve Bank of Australia)

CANADA –Canadian Foreign Exchange Committee

Public Representative: Paul Chilcott (Bank of Canada)

Private Representative: Simon Watkins (Bank of Montreal)

Other Attendees: Zahir Antia and Harri Vikstedt (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: Sun Yu (Bank of China)

Other Attendees: Lu Zhiwang (State Administration of Foreign Exchange), Sun Wei (China Citic Bank), Hu Ying and Sun Jia (China Foreign Exchange Trade System)

EURO AREA –Foreign Exchange Contact Group

Public Representative: Torsti Silvonen (European Central Bank)

Private Representative: Ankur Pruthi (Norges Bank Investment Management)

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

HONG KONG – Treasury Markets Association

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

INDIA – Foreign Exchange Committee

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

Private Representative: Kumar Ashwani (FX Dealers' Association of India) and H K Jena (State Bank of India)

JAPAN – Tokyo Foreign Exchange Market Committee

Public Representative: Shuntaro Hara (Bank of Japan)

Private Representative: Naoto Nakamura (MUFG Bank)

Other Attendees: Akira Hasabe (Bank of Japan)

MEXICO – Mexican Foreign Exchange Committee**Public Representative:** Gerardo Garcia (Banco de Mexico)**Private Representative:** Joaquin Caicedo (JP Morgan)**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)**Other Attendees:** Jaqueline Loh (Monetary Authority of Singapore)SOUTH AFRICA – South African Foreign Exchange 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:** Jinwoo Jeong (Bank of Korea)**Private Representative:** Sang Soo Kim (Korea Development Bank)SWEDEN - Scandinavian Foreign Exchange Committee**Public Representative:** 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:** Russell Lascala (Deutsche Bank)**Other Attendees:** Grigoria Christodoulou and David Edmunds (Bank of England)US – New York Foreign Exchange Committee**Public Representative:** Anna Nordstrom (Federal Reserve Bank of New York)**Private Representative:** Dan Lennon (CLS Bank)**Other Attendees:** Alex Cohen, Dan Reichgott and Shawei Wang (Federal Reserve Bank of New York)Guests**Session 9:** Kim Winding Larsen (ACI Financial Markets Association)**Day 1, 4 December****Item no. Minute****1. Welcome**

Guy Debelle (the Chair) welcomed the Global Foreign Exchange Committee (GFXC, or 'the Committee') members to Sydney, noting that they were meeting on the ancestral lands of the Gadigal people. On behalf of the GFXC, the Chair paid his respects to the Gadigal's Elders.

2. **GFXC Organization and Governance**

Shawei Wang (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.

Guy Debelle introduced the procedures developed by the GFXC Secretariat for the selection of Chairs and Vice-Chairs. Members were encouraged to forward any comments on the proposed procedures to the Secretariat in that coming week. A final document would then be sent to all GFXC members for approval by written procedure. It was noted that Akira Hoshino's term as co-Vice Chair would end in mid-2020 and that the GFXC would need to approve a new co-Vice Chair at its next meeting.

Akira Hoshino provided an update on the GXFC Working Group on 'Cover and Deal', noting that a [webinar](#) had recently been recorded and published on the GFXC's website. The GFXC agreed to conclude the Working Group.

3. **GFXC Survey results**

The Committee discussed the GFXC's 2019 survey. The survey included a section on the adoption and impact of the FX Global Code; solicited feedback on the three-year review; gathered information on electronic trading and the use of FX execution algorithms; and collected views on the availability and quality of counterparty disclosures.

The survey results suggested that Code adoption continued to grow, and most respondents that signed a Statement of Commitment made it available through a public register. On average, it took respondents around nine months to sign up to the Code, but the estimate varied depending on the size and complexity of the institution. Training remained an important element of embedding the Code into firms' practices. Over two-thirds of survey respondents thought the effect of the Code on overall market functioning was either 'positive' or 'very positive'. Market experience of desirable behaviours in 2019 remained similar to those reported in 2018.

Around 40 percent of all respondents used algorithms to execute their trades, with a further 20 percent considering them. Improved execution quality and reduced market impact were the two most commonly cited motivations. Respondent perceptions of the overall quality of disclosures were broadly positive, however the Committee noted that the picture was more nuanced when looking at the breakdown of respondent types and specific areas of the Code. In particular the buy-side was consistently less positive than the sell-side. Disclosures around the use of pre-hedging and last look were amongst the lowest scoring, with around a quarter of buy-side respondents considering them poor/very poor.

The GFXC agreed to publish a summary of these results and also address some of the key findings around disclosures and outreach as part of the three-year review of the Code. Further analysis of the results, by counterparty and jurisdiction, may be carried out as appropriate to support the work of the Committee.

4. **GFXC Working Group on Disclosures**

The GFXC's Working Group on Disclosures presented its work on anonymous E-Trading Platforms, reviewing the Working Group members' feedback on key issues and highlighting several areas where additional guidance in the Code might be appropriate. Topics included 'tag' (unique identifiers) management, trade/market data sharing policies, cross-venue credit checks, identification of Code adherents, and expanding focus on anonymous platforms.

Discussion followed on the importance of clarifying the roles and responsibilities of the different market participants, including platforms and prime brokers. There was also discussion over the general quality of disclosures and the extent to which Market Participants were effectively incorporating them into their decision making.

The Committee decided to incorporate the guidance on potential anonymous E-Trading-related

Code enhancements into a work-stream as part of the three-year review. Members also agreed to publish a report, which describes the anonymous E-Trading landscape and summarizes the Working Group's feedback, in the New Year.

5. **FX Global Code Three-year Review – Topics**

The Chair introduced the session, noting that in putting forward its priorities for the three-year review of the Code, the GFXC leadership had drawn on input from the local foreign exchange committees (FXCs), recommendations from the GFXC Working Group on Disclosures, feedback from the Bank for International Settlements (BIS) Markets Committee (MC) and the GFXC's 2019 Survey.

Jacqueline Loh (MAS) provided a summary of the BIS Markets Committee's feedback on the Code. The MC recommended that the GFXC explore additional ways to further embed the Code, especially among buy-side participants; e.g. through providing increased clarity on the proportionate application of the Code. The MC also suggested that the GFXC should enhance the quality of FX disclosures, and in cooperation with relevant market participants, study the Code's impact on market functioning. The GFXC should also continue to strengthen engagement with market participants and to remain forward looking in considering future adjustments to the Code.

The Chair summarised the responses to questions on the three-year review included in the GFXC's 2019 Survey. Around 70 percent of respondents had said that no change to the Code was needed, mostly because they thought it was too soon. Of those that thought modifications should be made, a number referred to certain of the execution principles (last look, pre-hedging) or recommended additional guidance be provided through examples in the Code's annex. The need for the Code to regularly evolve to keep pace with market developments was noted by many of these respondents.

Based on this feedback and earlier input provided by the local FXCs, the Chair presented five proposed areas of focus for the GFXC in the coming year: buy-side outreach; anonymous trading; disclosures; algorithmic trading and transaction cost analysis (TCA); and execution principles. These areas of focus had been summarised in a [document](#) distributed to the local FXCs in November and were agreed to by the GFXC. Consistent with the feedback, the GFXC agreed that changes to the Code's principles should be kept to a minimum. For the work-stream on execution principles, rather than developing more examples, emphasis would be placed on using additional guidance material to provide greater clarity to market participants.

The Committee also agreed to consider how it could provide greater guidance around the frequency with which market participants should renew their Statements of Commitment.

6. **FX Global Code Three-year Review – Process**

The GFXC agreed to create work-streams for each of the above priorities. Leads were nominated for each work-stream:

- Buy-side outreach - European Central Bank, Bank of Japan and QIC
- Anonymous trading - Federal Reserve Bank of New York, XTX Markets
- Disclosures - Bank of England
- Algorithmic trading / TCA – Swiss National Bank, ING
- Execution Principles – Bank of Canada, Refinitiv, Citi

GFXC members were asked to seek volunteers from amongst their local FXCs to participate in the work-streams with membership to be finalised in the New Year in a process coordinated by the GFXC leadership. It was agreed that the size of each group should be relatively small but with a diversified range of market participants. It was envisaged that each work-stream would aim to bring reasonably firm proposals for consideration at the June 2020 GFXC meeting.

7. **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 buy-side adoption momentum of the FX Global Code. The working group presented material they had developed, which aimed to make it easier for firms that had not signed on to the FX Global Code, to adopt and commit to the Code. This material include [frequently-asked-questions](#) (FAQ) about the Code and [case studies](#) of buy-side firms that had adopted the Code. The working group recorded also a number of short [videos](#) highlighting market participants' views on the importance of signing up to the Code. The GFXC agreed to publish the material on the GFXC website and asked the working group to continue its efforts to address the issues raised in the feedback to the Code. At the same time the Chair strongly encouraged local FXCs to produce additional case studies, contribute further ideas and engage with their local FX market participants, with a particular focus on increasing buy-side firms' adoption of the Code leveraging the material produced by the GFXC for this purpose.

8. **GFXC Working group on Embedding the Code**

The Embedding the Code working group provided an overview of their outputs since the Tokyo meeting. Highlights included refreshing the GFXC website, streamlining the information available and improving accessibility. Additional guidance was produced on questions related to Code adherence, to be published as part of the updated FAQ section. A number of changes were also implemented to the [Global Index of Public Registers](#), making information easier to analyse. Having completed its work, the Embedding the Code working group formally closed.

The GFXC agreed not to conduct a survey in 2020, allowing the Committee to focus on the Three-year review. It was proposed that the next survey could take place during the first half of 2021.

9. **Code Education and Training**

Kim Winding Larsen (ACI Financial Markets Association) provided the Committee with an overview of the ACI's activities, highlighting their work on promoting the Code in certain emerging markets. The Committee received a [presentation on the various educational tools](#) offered by the ACI. Russell Lascala (Deutsche Bank) provided an overview of [Deutsche's implementation of the Code](#), focusing on their approach to ensuring an appropriate risk culture exists and their training of staff. An emphasis on scenario-based training was noted.

10. **GFXC Secretariat Update**

The Secretariat co-leads provided an overview of the GFXC Secretariat activities supporting the Committee in its ongoing work and evolution. The Secretariat continued to formalise the suite of processes it has put in place to discharge its responsibilities. A number of initiatives to increase the visibility of the GFXC and its outputs were taken forward, including the creation of social media accounts (LinkedIn and [Twitter](#)). The Secretariat also noted that the central banks of Georgia, India and Israel had published their Statements of Commitment to the [BIS Central Bank register](#).

11. **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 GFXC's priorities for the Three-year review of the Code; summarise the high level results of the 2019 Survey and note the Committee's discussion on training and education.

Day 2, 5 December**Item no. Minute****1. GFXC Tour de Table**

The Committee discussed recent developments and trends in the FX market, following a [presentation](#) from Akira Hoshino (Citi). The continued low volatility environment was a key theme. It was suggested that low interest rates as well as strength in risk assets may have contributed to this, and that low levels of volatility had led to increased levels of trade internationalisation. Discussing the recent [BIS turnover survey](#) results, members observed that FX market structure was evolving away from the traditional interbank model with a greater diversity of market participants and ways to execute trades. The Committee reflected on the possible implications these developments had on market resilience.

Representatives from each GFXC member provided an update on activities, developments and issues in their region. Over the past year, preparations for the transition to risk-free reference rates and continued efforts to increase awareness of, and adherence to, the Code were common themes across all the Local FX Committees. Regulatory and supervisory initiatives relating to FX markets in a number of jurisdictions were discussed. These included the consultation on extending the Market Abuse Regulation to FX spot instruments in Europe and in Australia, ASIC's supervisory reviews of wholesale FX market participants, using the FX Global Code as one of their reference points.

2. FX Benchmarks

Using data from Refinitiv's Matching platform, Neill Penney (Refinitiv) provided the Committee with an overview of trading activity during the WM/Reuters London 4PM fixing window for various currencies. The [presentation](#) focussed on changes since the Financial Stability Board's (FSB) [FX Benchmarks Report](#) was published in 2014. It was observed that since WM/Reuters' fixing window had been lengthened to five minutes, less trading activity occurred ahead of the window. Trading activity within the window was spread more evenly, although more recently the profile in some currencies had changed back towards there being greater activity in the early parts of the window. The data also suggested that bid-offer spreads generally tightened during the fixing window. Data were presented that sought to gauge whether price movements in the early part of the fixing window could predict movements over the remainder of the window. Some members commented that in their experience, the strength of such signals was weak. Overall, members were generally satisfied that the market was operating effectively around benchmark fixing windows.

Other changes in market practices involving FX benchmarks were also discussed, including the FSB's recommendation that fixing transactions be priced in a manner that is transparent and consistent with the risk borne in accepting such transactions. Feedback obtained by the local FXCs suggested that prices for fixing services have been declining in many markets. In discussing this feedback, members stressed the need for prices to appropriately reflect costs, as recommended in the FSB report.

Neill Penney also provided an [update](#) on the administration of the WM/Reuters benchmarks. In discussing the role played by user groups, some remarked on the general lack of visibility around their activities. Members agreed that the user groups should play a crucial role in analysing and consulting on developments involving FX benchmarks to ensure they remain fit for purpose.

3. Next Steps

The next meeting of the GFXC will take place in Zurich in June 2020 and be hosted by the Swiss National Bank.