

Minutes

Global Foreign Exchange Committee Meeting

27-28 June 2022

Location: Zurich, with the option of virtual participation, virtual attendees are denoted with an asterisk

Chair: Andréa M. Maechler (Swiss National Bank)

Vice Chair: Richard De Roos (Standard Bank of South Africa), Stefanie Holtze-Jen* (Deutsche Bank – Private Bank)

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)

BRAZIL – Brazilian Foreign Exchange Committee
Public Representative: Patricia Dias* and Daniel Nunes da Silva* (Banco Central de Brazil)

CANADA – Canadian Foreign Exchange Committee
Public Representative: Grahame Johnson (Bank of Canada)
Private Representative: Dagmara Fijalkowski* (RBC)
Other Attendees: Zahir Antia and Harri Vikstedt (Bank of Canada)

CHINA – Chinese Foreign Exchange Committee
Public Representative: Zhang Chunyi* (People's Bank of China), Guan Enjie* (State Administration of Foreign Exchange) and Sun Jie* (China Foreign Exchange Trade System)

DENMARK – Scandinavian Foreign Exchange Committee
Public Representative: Michal Nielsen (National Bank of Denmark)
Private Representative: Svante Hedin (SEB)

EURO AREA – Foreign Exchange Contact Group
Public Representative: Torsti Silvonen (European Central Bank)
Private Representative: Ankur Pruthi (Norges Bank Investment Management)
Euro Area Central Bank Observer: Anahita Bierekofen* (Deutsche Bundesbank)
Other Attendees: Volker Enseleit and Roswitha Hutter (European Central Bank) and Stephane Malrait (ING)

GEORGIA – Financial Markets Treasuries Association
Public Representatives: Archil Mestvirishvili* and Giorgi Laliashvili* (National Bank of Georgia)
Private Representative: Lasha Jugeli* (Georgian Financial Markets Association)

HONG KONG – Treasury Markets Association
Public Representative: Kim-Hung Li* (Hong Kong Monetary Authority)
Private Representative: Chordio Chan* (N/A)

INDIA – Foreign Exchange Committee
Public Representatives: Seshsayee Gunturu (Reserve Bank of India)

GLOBAL FOREIGN EXCHANGE COMMITTEE

Private Representative: Ashwini Sindhvani* (FX Dealers' Association of India)

INDONESIA – Indonesian Foreign Exchange Market Committee

Public Representative: Rahmatullah Sjamsudin (Bank Indonesia)

Other Attendees: Putriana Nurman (Bank Indonesia)

ISRAEL – Israeli Foreign Exchange Committee

Public Representative: Tal Biber (Bank of Israel)

Other Attendees: Vicky Doron (Bank of Israel)

JAPAN – Tokyo Foreign Exchange Market Committee

Public Representative: Yuuki Shimizu* (Bank of Japan)

Private Representative: Yoshiyasu Inoue (MUFG Bank)

Other Attendees: Hitomi Nakai* (Bank of Japan), Akira Hoshino (Citigroup)

MEXICO – Mexican Foreign Exchange Committee

Public Representative: Gerardo Garcia (Banco de Mexico)

Private Representative: Manuel Meza (BBVA)

Other Attendee: Mayte Rico (Banco de Mexico)

SINGAPORE – Singapore Foreign Exchange Market Committee

Public Representative: Bernard Wee (Monetary Authority of Singapore)

Other Attendee: Jaqueline Loh* (Monetary Authority of Singapore, BIS Markets Committee Chair)

SOUTH AFRICA – South African Foreign Exchange Committee

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

SOUTH KOREA – Seoul Foreign Exchange Committee

Public Representative: Jae-Young Lee* (Bank of Korea)

Private Representative: Jiyoung Nah* (Woori Bank)

Other Attendees: Chang Jo Seo* (Woori Bank)

SWITZERLAND – Swiss Foreign Exchange Committee

Public Representative: Benjamin Anderegg (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: Lisa Dukes (Drax Group)

Other Attendees: Ouadi Belayate and Grigoria Christodoulou (Bank of England)

US – New York Foreign Exchange Committee

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

Private Representative: Christopher Vogel (TD Securities)

Other Attendees: Sanja Peros and Shawei Wang (Federal Reserve Bank of New York)

Guests

Session 6: Adrian Boehler* (UBS), Simon Jones* (360T)

Session 7: Marc Bayle de Jesse* (CLS Bank), Rhomaios Ram* (Fnality), Alex Knight (Baton Systems), Hampton Finer* (Chair of CPMI Working Group on increased PVP adoption)

All presentations were for information purposes only and did not constitute a GFXC endorsement.

Day 1, 27 June

Item no

Minutes

1.

Welcome and Competition Guidelines

The Chair, Andréa M. Maechler (Swiss National Bank), warmly welcomed the members of the Global Foreign Exchange Committee (GFXC, or ‘the Committee’) to the meeting, which was held in hybrid format for the first time. She then welcomed Stefanie Holtze-Jen (Deutsche Bank – Private Bank) to the GFXC leadership team. Ms. Holtze-Jen was unable to attend the December 2021 GFXC meeting due to an internal compliance approval process. Upon its completion, she accepted the endorsement in writing to serve as Co-Vice Chair.

Shawei Wang (Federal Reserve Bank of New York) gave an overview of the [Competition/Antitrust Law Guidelines for Members of the GFXC](#).

2.

GFXC Updates and Developments

The Chair reported on the FX Global Code Statements of Commitment (SoCs) published in the Global Index of Public Registers as of mid-June 2022, highlighting that *“almost a year since the publication of the revised Code a number of market participants have signed up to the Code and the GFXC expects those who have not yet renewed their Statement of Commitment to do so shortly.”* A number of translations of the revised Code had been made available on the GFXC website.

Ouadi Belayate (Bank of England) updated the Committee on the adoption of Disclosure Cover Sheets by liquidity providers and e-FX platforms. He noted that an encouraging number of market participants had published their Cover Sheets which were becoming part of the broader conversation around market practices – frequently cited in news articles and analysis. The GFXC agreed that it was important to continue promoting their use, especially with buy-side market participants in terms of helping them frame their discussions with counterparties.

The Code review also resulted in greater transparency on algos and increased harmonisation of data reporting for conducting Transaction Cost Analysis (TCA). The Chair noted that algo providers were working on the implementation of the [TCA Data Template](#). With regards to the [Algo Due Diligence Template](#), most algo providers had prepared answers and provided them to clients either publicly or bilaterally on request.

In connection with the administration of the GFXC website, the Chair provided a brief overview of existing arrangements and outlined a set of different options for funding and operating the website going forward. Based on strong support by the central bank GFXC members, the Chair’s next step will be to approach BIS leadership to explore a mutually agreeable financing and operating model for the website.

3.

GFXC Survey and Work programme

The Chair summarised the process that shaped the development of the GFXC’s work programme for 2022-2023, the interim period until the next three-year Code review. Discussions began at the [December 2021 GFXC meeting](#) and incorporated suggestions from the BIS Markets Committee. In February 2022, the Local Foreign

Exchange Committees (LFXCs) members expressed their interests and priorities in a survey. Survey results and the conclusions drawn were shared with LFXCs in May 2022.¹

The Chair reiterated at the meeting that the survey results showed a clear message. In order to foster even more widespread adoption of the Code, the GFXC must continue its efforts in ensuring that the cost of adherence reflected a Market Participant's role in the FX market and that the tangible benefits of adherence were well understood.

In order to help further facilitate adherence to the Code, a working group on proportionality was established in [December 2021](#) under the leadership of Richard de Roos (see agenda item 4). The GFXC also agreed to establish a new working group to promote a deeper understanding of the benefits of adherence under the leadership of Stefanie Holtze-Jen (see agenda item 5). In addition, the Committee agreed in principle, to conduct a survey on the effectiveness of the revised Code, and its associated material, including disclosures. This survey of market participants would take place in the third quarter of 2023 and serve as a starting point for the transition to the next Code review. GFXC members considered issues around data availability and decided to explore this area further as part of the next Code review (see agenda item 6). In addition, it was agreed that the GFXC should continue keeping track of key developments in the area of FX settlement risk (see agenda item 7).

4. **Update on Proportionality Working Group**

Richard de Roos (Working Group lead and GFXC Co-Vice Chair) provided an overview of the Group's work. He discussed the concept of proportionality against the background of a single Code that covered the full range of FX business activities undertaken by different types of Market Participants. He argued that proportionality should recognize diversity by allowing a tailored approach for each Market Participant to adhere to the Code Principles reflecting its role in the FX market.

To further facilitate adherence, the Working Group is in the process of developing a web-based tool that would permit Market Participants to quickly ascertain the relevance of certain aspects of the Code to their FX operations. In a prototype presented to the GFXC by Stuart Simmons (QIC), the tool contains a series of questions that asks Market Participants to describe the nature of their FX market activity, thus helping them identify those FX Global Code Principles that pertain to such activity.

GFXC members recognised the potential benefits of a tool that would help Market Participants navigate the different Code Principles and how they may apply to them. GFXC members asked the Working Group to continue to develop this tool and expand it across all the Code Principles. They also recommended that the Group engage extensively with buy-side market participants to gather feedback to help refine further iterations of the web-based tool.

¹ The survey results were summarised under six headings: 1) Reviewing the Code effectiveness; 2) Further steps to embed the Code with market participants (adherence); 3) Progress on managing FX Settlement Risk by continued engagement with the Committee on Payments and Market Infrastructure (CPMI); 4) Data availability; 5) Positioning of the Code within the ESG framework; 6) New technology used for infrastructure as well as stable coins and central bank digital currencies (CBDCs).

5. **Code Adherence: Deepening understanding of the benefits**

The Chair recognised the work the Committee had done since its inception to embed the Code in the FX market among Market Participants and noted it remains important to continue building on these strong foundations by exploring further ways to promote adherence to the Code. Increasing the awareness of the tangible benefits from adhering to the Code, especially for the buy-side, was identified by the GFXC as a priority.

Anna Nordstrom (FRBNY) noted that broad adoption of the Code generates both firm-level and collective benefits in the FX space and that barriers associated with adherence for certain segments of the buy-side can be reduced by further clarifying the process for adoption. Adherence to the Code should also be better recognized publicly. To this end, the connection between Code adherence and good governance could be highlighted. Dagmara Fijalkowski (RBC) provided insights from a Global Asset Management firm's perspective, explaining that they use the Code as a training tool, and it empowers the staff to demand best execution practices from counterparties. Finally, Stefanie Holtze-Jen (Deutsche Bank – Private Bank and GFXC Co-Vice Chair) concluded that it was vital to explore how the Code could play a more visible role in Market Participants' good corporate governance by linking Code adherence to the "G" in ESG standards².

The GFXC decided to establish a new working group to promote a deeper understanding of the benefits of adherence under the leadership of Stefanie Holtze-Jen. This group should also explore the cost of non-adherence for the industry. As a next step, the terms of reference for the working group will be produced, followed by a call for volunteers from the LFXCs.

6. **Thematic Discussion: Data availability**

The Chair framed the session by sharing some of the findings of the 2020 BIS Markets Committee report on [FX execution algorithms and market functioning](#). In particular, the report noted that for market participants to be able to assess the strength of their execution, they would need to access adequate data and information, which could be costly and difficult to obtain. Ankur Pruthi (Norges Bank Investment Management) spoke from a buy-side perspective on data provision in the FX market, followed by a sell-side view provided by Adrian Boehler (UBS). Finally, Simon Jones from 360T assessed data availability from a platform perspective and particularly in relation to the FX Swaps market.

Committee members agreed that 'market data' could encapsulate a very broad field. Data availability could vary depending on the instrument (spot or derivatives) and the stage of the trade life-cycle (e.g. pre-trade or post-trade). Transparency around larger trade sizes could be more limited, and the method of execution (e.g. using algos or through custodians) was also a pertinent consideration. How data is captured, used and distributed was another area of discussion where members noted that the FX Global Code already provided guidance, but wondered whether there was a case for strengthening it. Overall, the GFXC stressed the importance of high-quality market data in order to ensure a robust, fair, open, liquid and transparent FX market. The Committee agreed to continue developing their thinking around market data, with the view to discuss further as part of the next Code review.

² Environmental, Social and Governance standards.

7. **Industry input on FX Settlement Risk**

The GFXC meetings in [June 2020](#) and [September 2020](#) reflected on the importance of understanding and managing FX settlement risk, as highlighted in the [2019 BIS Quarterly Review](#) and by the Committee on Payments and Market Infrastructures (CPMI). To follow-up on these reflections, the Committee invited to the meeting three industry executives, from Baton Systems (Alex Knight), CLS Bank (Marc Bayle de Jesse) and Finality (Rhomaïos Ram) to present on recent technological developments in addressing FX settlement risk and what role centralized and decentralized technology solutions could take on in the FX market. CLS reported on its main service to settle payment-versus-payment (PvP) for FX transactions through central bank accounts using centralized technology, as well as the recent uptake on netting service without settlement (CLSNet) for EM currencies that do not qualify (as yet) for the main settlement service. Baton Systems' solution on the other hand provided settlement in commercial bank money using existing correspondent banking relationships, but utilized distributed ledger technology (DLT) to ensure PvP settlement. Finality's PvP arrangements in a decentralized set-up were still in development. Their prototype envisaged real-time arrangements using blockchain technology to facilitate settlement in a fully central bank money-backed asset.

The Chair of the CPMI Working Group on facilitating increased adoption of PvP (Hampton Finer, FRBNY) provided a progress update on their work. He highlighted that the group would publish a [consultative report](#) in July 2022 which would analyse the causes of non-PvP settlement, take stock of existing and proposed new PvP solutions and suggest roles for the private and public sectors to facilitate PvP adoption. He encouraged GFXC members to actively engage with this work by participating in the relevant industry workshops and/or submitting their views as part of the consultation. The GFXC Chair thanked all presenters and reiterated the Committee's commitment to support efforts to reduce FX settlement risk.

Day 2, 28 June

1. **Presentation by new associate member: Israel**

The Chair introduced Tal Biber, Head of Markets Division at the Bank of Israel. The Israeli FX Committee had joined the GFXC as an associate member in 2020. Mr Biber gave an overview of the Israeli FX market. He remarked that the FX market was by far the largest financial market in Israel in terms of turnover. Daily FX turnover across different instruments was around USD19bn and continued to grow. While the market was fairly concentrated, it was becoming more international with increasing foreign participation partly due to its highly electronic nature. Mr Biber concluded by providing an overview of the newly established Israeli Foreign Exchange Committee noting that their objective was to promote best practices in the FX market, through advocating for the adoption of the FX Global Code, and fostering collaboration and communication among domestic FX Market participants.

2. **GFXC Tour de Table**

The Tour de Table began with introductory comments by Torsti Silvonen (ECB) and Gerardo Garcia (Banco de Mexico). Mr Silvonen provided an overview of FX market

conditions globally. He noted that volatility remained elevated across all asset classes following the outbreak of the war in Ukraine. It reflected growing uncertainty around the global macro-economic outlook and the increased differentiation in monetary policy stances. The Russian ruble market remained impaired with activity mainly concentrated in the domestic market. Settling transactions in ruble had been a challenge following the onset of war in Ukraine, but progress was being made including through the issuance of updated documentation by Emerging Markets Trade Association (EMTA) and the International Swaps and Derivatives Association (ISDA).

Mr Garcia shared the perspective from Latin American markets. Dollar strength was a prevailing theme in FX markets, partly driven by increasing investor risk aversion and partly due to the expected changes in US monetary policy. This had put pressure on emerging market currencies more broadly. Latin American currencies had, to that point, outperformed others. This was attributed to the fact that the relevant central banks had already raised interest rates, but also to the positive terms of trade and lower exposures to the war in Ukraine.

LFXCs provided an update on their Code outreach activities. Engaging with buy-side market participants had been a priority with a number of different approaches used. Some LFXCs had focused their outreach on particular segments of the market, such as pension funds and asset managers, while others explored incorporating sections of the Code to existing training frameworks for traders and treasurers. A number of LFXCs had asked their existing members to actively promote greater awareness and adoption of the Code amongst their peers and clients where appropriate. All LFXCs expected their members, where applicable, to refresh their Statements of Commitment in the 12 months that followed the publication of the updated FX Global Code.

3. **Wrap-up and next steps**

The Chair announced that the next meeting of the GFXC would most likely be virtual and take place in December 2022. Details would be communicated in due course.

The Chair noted that a [press statement](#) summarizing the main points from the meeting would be published on 28 June 2022, followed by GFXC leadership participation (Andréa M. Maechler and Richard de Roos) in two live stream FX industry events (with Risk.net at its FX Markets Europe event as well as with the Foreign Exchange Professionals Association).

The Chair also updated members on the process for selecting a new Co-Vice Chair, with Richard de Roos' term set to expire in December 2022.