

Minutes

Global Foreign Exchange Committee Meeting

5-6 December 2022

Location: Video conference

Chair: Andréa M. Maechler (Swiss National Bank)

Vice Chair: Stefanie Holtze-Jen (Deutsche Bank – Private Bank), Richard de Roos (Standard Bank) until endorsement of Simon Manwaring (NatWest Markets)

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: Xiang Jian (People's Bank of China) and Guan Enjie (State Administration of Foreign Exchange)

NORWAY – Scandinavian Foreign Exchange Committee

Public Representative: Alexander Flatner (Norges Bank)

Private Representative: Morten Salvesen (DNB)

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: Wilson Wong (Bank of China (Hong Kong))

INDIA – Foreign Exchange Committee

Public Representatives: Seshsayee Gunturu (Reserve Bank of India)

Private Representative: Ashwani Sindhwani (Foreign Exchange Dealers' Association of India)

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INDONESIA – Indonesian Foreign Exchange Market Committee

Public Representative: Agustina Dharmayanti (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

Private Representative: Yoshiyasu Inoue (MUFG Bank)

Other Attendees: Ryo Aruga (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: Ethan Goh as substitute for Bernard Wee (Monetary Authority of Singapore)

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

SOUTH AFRICA – South African Foreign Exchange Committee

Public Representative: Andries Tshishonga as substitute for Zafar Parker (South African Reserve Bank)

Private Representative: Richard de Ross (Standard Bank)

SOUTH KOREA – Seoul Foreign Exchange Committee

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

Private Representative: Jiyoung Nah (Woori Bank)

SWITZERLAND – Swiss Foreign Exchange Committee

Public Representative: Benjamin Anderegg (Swiss National Bank)

Private Representative: Hjalmar Schröder (Zürcher Kantonalbank)

Other Attendees: Barbara Döbeli (Swiss National Bank)

UK – London Foreign Exchange Joint Standing Committee

Public Representatives: Philippe Lintern as substitute for Andrew Hauser (Bank of England)

Private Representative: Lisa Dukes (Dukes & King)

Other Attendees: Charlotte Austin, Grigoria Christodoulou and Natalie Lovell (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: Lisa Chung, Sanja Peros and Shawei Wang (Federal Reserve Bank of New York), Yudhveer Chaudhry (Blackrock)

Guests

Kim Winding Larsen (President Delegate of Financial Markets Association (ACI FMA))

Morten Bech (BIS Innovation Hub, Centre Head - Switzerland)

Mathias Drehmann (Secretary of BIS Markets Committee)

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

Day 1, 5 December 2022

Item no

Minutes

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 virtual meeting.

As Norges Bank had taken over the Chair of the Scandinavia Foreign Exchange Committee from Danmarks Nationalbank, the Chair specifically welcomed the new public and private sector representatives (Alexander Flatner of Norges Bank in place of Michal Nielsen of Danmarks Nationalbank and Morten Salvesen of DNB in place of Svante Hedin of SEB).

The Chair expressed gratitude to the Bank for International Settlement (BIS) Markets Committee (MC) Chair, Jacqueline Loh (Monetary Authority of Singapore) for joining the meeting. This would be Ms Loh's last meeting as her term as MC Chair was due to end in January 2023. It was noted that John Williams (Federal Reserve Bank of New York), who would take over as MC Chair, would attend future GFXC meetings.

Volker Enseleit (ECB) gave an overview of the [Competition/Antitrust Law Guidelines for Members of the GFXC](#).

Endorsement of the New Co-Vice Chair

The Committee endorsed the Leadership Selection Committee's proposal for Simon Manwaring (Global Head of Trading and Sales at NatWest Markets) as Co-Vice Chair for a two-year term to succeed Richard de Roos (Standard Bank). Mr Manwaring thanked the Committee for the endorsement and expressed his gratitude for the opportunity to support the GFXC.

1. Updates on Recent Developments

The Chair reported that since the update of the FX Global Code (the 'Code') in July 2021, more than 80 market participants had newly signed a Statement of Commitment, in addition to the many others that had refreshed their earlier Statement.

The Chair noted that since the publication of [Disclosure Cover Sheets in August 2021](#), three platforms (360T, Cboe FX, EuronextFX) now required liquidity providers to their anonymous venues to have signed the Code.

Another development mentioned was the European Securities and Markets Authority (ESMA) [call for evidence on pre-hedging](#) in the summer of 2022. It was noted that ESMA's review was not limited to pre-hedging in foreign exchange markets and took into account its use throughout all financial markets. Furthermore, GFXC members highlighted that there was a distinction between guidance in the context of Market Abuse Regulation and best practices.

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The GFXC agreed to discuss at the June 2023 GFXC meeting whether FX settlement risk should be included in the next Code review. Although the Code's guidance in this area had been strengthened [in July 2021](#), there were ongoing innovations and measures by the private and public sectors to reduce settlement risk for a broader range of currencies and market participants that may be considered further.

The Chair informed the Committee that the BIS had agreed to continue funding the GFXC website and that the details of the arrangement would be finalized as soon as possible. This would ensure the long-term and sustainable viability of the GFXC website and support the implementation of the Digital Proportionality Tool. The Chair thanked the central bank GFXC members and Jacqueline Loh for their support.

To further strengthen the valuable cooperation between the BIS and the GFXC, the Committee invited the BIS to participate as an observer at future GFXC meetings. This would be in addition to the BIS MC Chair who is an ex officio member of the GFXC.

2. **Update on Motivation for Adherence Working Group**

At the June 2022 GFXC meeting, it was agreed to establish a working group to promote a deeper understanding of the benefits of Code adherence among Market Participants. Its lead, Stefanie Holtze-Jen, noted that as a first step the working group had developed a list of potential actions aimed at promoting wider adherence to the Code. The working group had also collaborated with the Proportionality working group on a survey which included specific questions on Code adherence.

Lisa Dukes (working group member and private sector representative of the London Foreign Exchange Joint Standing Committee) presented an overview of the 79 survey responses received. Survey results indicated that the time commitment needed for adherence is a key factor for some segments of the buy-side where foreign exchange is a less substantial part of their overall business. Many respondents also sought a better understanding of the tangible benefits from adhering to the Code.

The working group proposed a three-pillar approach to support continued uptake of the Code across the buy-side. The approach focused on increasing visibility, partnering with industry groups, and promoting education and training. Specific actions under the pillars included more active engagement with the press and social media and seeking feedback from major industry association members via a letter from the GFXC Chair.

It was also noted that initial discussions had taken place with industry rating agencies about explicit recognition of the Code within their assessment criteria.

GFXC members agreed with the working group's proposed action plan for promoting awareness of and adherence to the Code.

3. **Update on Proportionality Working Group**

Richard de Roos (working group lead and outgoing GFXC Co-Vice Chair) introduced the Digital Proportionality Tool for facilitating FX Global Code adherence. He explained that the tool would help market participants with less

complex activities in the FX market to focus their adherence efforts on the Principles of the Code most relevant to them. A pilot version had been tested by a large number of market participants, most of which were from the buy-side.

Most participants that had tested the pilot responded in a survey that they found the tool to be a useful mechanism to better understand how the different Principles of the Code may apply to them. The survey results, however, also showed that further improvements could be made. For example, simpler terms could be used in the questions which asked Market Participants to describe the nature of their FX market activity. Respondents also felt that the use of examples and a glossary could improve understanding.

It was agreed that the tool would be made publicly available on the GFXC website in 2023 after the feedback had been incorporated.

4. **Narrowing the Scope of “Data availability” for Inclusion in the Next Code Review**

The Chair recalled the discussion on data availability at the [GFXC June 2022 meeting](#). At that meeting members agreed that “market data” was a broad field which needed to be narrowed down to specific issues that could potentially be considered as part of the next Code review. GFXC members agreed to pick up the discussion on data availability at the June 2023 meeting. The cost aspect of data was not within the remit of the GFXC, but the Committee's considerations could include enhanced transparency on what happens to user-generated trade data, improved data access to benchmark execution of FX derivative transactions, and greater transparency of trade execution data in case of delegated execution.

The Chair concluded with a request for any further proposals on potential data availability topics from the local FX committees by the end of February 2023.

Day 2, 6 December 2022

1. **Recent Developments in ACI FMA**

Kim Winding Larsen (ACI Financial Markets Association) provided an update on recent developments to ACI's E-Learning, Attestation and Certification (ELAC) portal. Mr Winding Larsen explained that the interactive portal provided continuous training and certification on market codes of conduct, including the FX Global Code.

The Chair highlighted the potential link between initiatives such as the ELAC portal and the Digital Proportionality Tool. The Committee agreed that there would be merit in exploring possible synergies between relevant educational initiatives offered by Trade Associations and the Digital Proportionality Tool.

2. **Alternative Technologies for FX Trading and Cross Border Payments: an exploration by the BIS Innovation Hub**

Morten Bech (BIS Innovation Hub) presented a joint project by the BIS Innovation Hub and three central banks (Swiss National Bank, Banque de France, Monetary Authority of Singapore) known as “[Project Mariana](#)”. Mr Bech said that the project would explore the use of decentralised finance protocols to automate the pricing of

foreign exchange transactions and settlement, potentially improving cross-border settlement. The aim was to deliver a proof of concept by mid-2023.

Mr Bech explained that Project Mariana would use Automated Market Makers (AMMs) for the cross-border exchange of Swiss franc, euro, and Singapore dollar wholesale Central Bank Digital Currencies (CBDCs). Pooled liquidity would be combined with innovative algorithms to determine the prices between two or more wholesale CBDCs. Mr Bech noted that consistent with the FX Global Code, the goal of the project was to create a robust, liquid, open, fair, transparent, and resilient market where wholesale CBDCs could be exchanged.

Committee members noted that the current interbank FX market was already very efficient, and it was not clear how an AMM would further improve it. Committee members agreed on the importance of keeping abreast of innovations that could affect the FX market in the future.

3. **LFXCs Updates on Market Developments and Outreach Activities**

Updates on Market Developments

Philippe Lintern (Bank of England) provided a summary of the impact of heightened financial market volatility on FX markets in developed markets. The shift in the monetary policy environment in developed countries, with the exception of Japan, was noted as a key theme in 2022. In addition, the divergence in pace and level of interest rate changes had underpinned US dollar strength in FX markets.

Mr Lintern noted two key events from 2022 with regards to developed market currencies; one in sterling and one in yen. Both events saw high levels of market volatility, but overall, the FX markets had remained resilient and well-functioning.

- The UK experienced a period of political instability from 23 September 2022. This period had seen a rapid sell-off of UK gilts and shortly after, sterling itself. Sterling reached new all-time lows against the US dollar, amid functional market conditions even outside of UK trading hours.
- Monetary policy divergence between the US Federal Reserve and Bank of Japan had led to yen underperformance in 2022. Japan's Ministry of Finance intervened in FX markets to reduce excessive yen volatility caused by speculative trading.

Seshsayee Gunturu (Reserve Bank of India) provided a summary of the impact of heightened financial market volatility on FX markets in emerging markets. Mr Gunturu noted that the impact of FX market volatility on emerging market economies had included capital outflows, currency depreciation, and in some countries, central bank intervention. In case of India, it was highlighted that both central bank intervention and valuation losses were responsible for a reduction in foreign currency reserves.

The heterogeneous impacts of FX market volatility on different emerging market economies were noted, with Latin American (LATAM) currencies performing better against the US dollar compared to other emerging market currencies. Mr Gunturu explained that Asian economies had seen more capital outflows in 2022 compared to other emerging market economies. It was also noted that emerging market FX volatility had tended to be lower than developed market FX volatility in 2022, which was unusual.

Ethan Goh (Monetary Authority of Singapore) provided a summary of the outlook for year-end funding in Singapore and wider emerging markets. Mr Goh observed that there had been a slight increase in US dollar funding costs going into the year-end in Singapore and the region, reflected particularly in gradual widening of cross-currency basis swap spreads in early-Q4. Feedback from market participants suggested that this was driven by institutional demand for pre-funding ahead of the year-end, and some switching from short-term debt issuance to cross currency basis swaps as a source of dollar funding. Nevertheless, access to US dollar liquidity remained stable. The market was shifting focus instead to US dollar conditions in 2023; in particular, watching the level of US dollar reserves with the Federal Reserve as quantitative tightening proceeds, as well as US money market reforms and its implications on liquidity.

Chris Vogel (TD Securities) provided a summary of the outlook for year-end funding in developed markets. Similar to emerging market conditions, Mr Vogel noted that developed markets had been functioning well amid year-end US dollar funding pressures. He highlighted that 2022 had seen an increase in the dollar premium in some major currencies. This increase had been underpinned by themes including SA-CCR regulation, quantitative tightening by some central banks, and commercial bank balance sheet constraints. Volatility in FX markets was noted as having contributed to the wider pricing of the year-end turn for major currencies and poor liquidity albeit Committee Members did not believe market functioning had been impaired.

LFXC's Updates on Market Developments and Outreach Activities

LFXC's provided an update on their Code outreach activities. Torsti Silvonen (ECB) explained that engagement with major euro area buy-side market participants and asset managers/corporates had been a priority for the ECB Foreign Exchange Contact Group (FXCG). Adopting a top-down approach to outreach and engaging Market Participants at a senior level had proven to be particularly successful.

Yoshiyasu Inoue (MUFG Bank) explained that the focus of the Tokyo Foreign Exchange Market Committee (TFXC) had been on raising awareness of the revised Code in Japan and the importance of re-adherence. On buy-side outreach, the TFXC had engaged with major asset managers and corporates for input to the work of the Proportionality Working Group. Mr Inoue noted the ongoing challenge in Japan of promoting the Code to insurance companies and corporates.

Wrap up and next steps

The Chair thanked Richard de Roos for having been a strong voice on the Committee for the emerging markets. The Chair also thanked Grigoria Christodoulou, who would be taking up a new role at the Bank of England, for her central role on the GFXC Secretariat since its inception. Her successor, Natalie Lovell (Bank of England), was then introduced.

It was noted that the [press release](#) would be published on 6 December 2022 at 5:00pm CET on the GFXC website.

The Chair thanked the Banco de Mexico for hosting the next in-person meeting in Mexico in June 2023. The exact date would be communicated as soon as possible. It was noted that topics to be covered at the June meeting would likely include buy-side outreach and preparation for the GFXC survey in September 2023.