Minutes

Global Foreign Exchange Committee Meeting
1-2 June 2023

Location: Mexico City, with the option of virtual participation. Virtual attendees are denoted with an asterisk

Chair: Andréa M. Maechler (Swiss National Bank)

Vice Chair: Simon Manwaring* (NatWest Markets)

Attendees:

AUSTRALIA – Australian Foreign Exchange Committee
Public Representative: Jason Griffin as substitute for Christopher Kent (Reserve Bank of Australia)
Private Representative: Luke Marriott (ANZ)

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)
Other Attendees: Mathias Drehmann (Secretary of BIS Markets Committee)

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

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

CHINA – Chinese Foreign Exchange Committee
Public Representative: Yang Fan* (People's Bank of China) and Guan Enjie* (State Administration of Foreign Exchange)
Other Attendees: Li Yuqing*(China FX Committee Secretariat)

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: Stephane Malrait (ING)
Other Attendees: Volker Enseleit and Roswitha Hutter (European Central Bank), Lars-Wolfram Grebe* (Deutsche Bundesbank)

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

HONG KONG – Treasury Markets Association
Public Representative: Zoe Cheung (Hong Kong Monetary Authority)
Private Representative: Wilson Wong and Benny 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)
Other attendee: Alqama Pervez (Reserve Bank of India)

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: Mickey Blank (Bank of Israel)

JAPAN – Tokyo Foreign Exchange Market Committee
Public Representative: Yuuki Shimizu (Bank of Japan)
Private Representative: Yoshiyasu Inoue (MUFG Bank)
Other Attendees: Ryo Aruga (Bank of Japan), Ayaka Sasaki (MUFG Bank)

MEXICO – Mexican Foreign Exchange Committee
Public Representative: Gerardo García (Bank of Mexico)
Private Representative: Manuel Meza (BBVA)
Other Attendee: Juan García (Bank of Mexico)

SINGAPORE – Singapore Foreign Exchange Market Committee
Public Representative: Bernard Wee (Monetary Authority of Singapore)
Private Representative: Andrew Ng (DBS)

SOUTH AFRICA – South African Foreign Exchange Committee
Public Representative: Andries Tshishonga as substitute for Zafar Parker (South African Reserve Bank)
Private Representative: Richard de Roos (Standard Bank)

SOUTH KOREA – Seoul Foreign Exchange Committee
Public Representative: Hyunchul Kim (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 (Bank of England)
Private Representative: Lisa Dukes* (Dukes & King)
Other Attendees: Natalie Lovell (Bank of England)

US – New York Foreign Exchange Committee
Public Representative: Anna Nordstrom (Federal Reserve Bank of New York)
Private Representative: Yudhveer Chaudhry (Blackrock)
Other Attendees: Lisa Chung, Sanja Peros, Shawei Wang* (Federal Reserve Bank of New York)

Guests
Anthony Macchiarulo (Assistant Vice President, Securities Industry and Financial Markets Association (SIFMA))
Tom Price (Managing Director, SIFMA)
James Kemp (Managing Director, Global Financial Markets Association (GFMA))
Janet Dawson (Managing Director, GFMA)

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

Day 1, 1 June 2023

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 meeting and thanked the Bank of Mexico for hosting the meeting.

The Chair welcomed two new public sector representatives (Philippe Lintern of the Bank of England in place of Andrew Hauser and Hyunchul Kim of the Bank of Korea in place of Jae-Young Lee). The Chair also welcomed the new private sector representatives (Luke Marriott of ANZ in place of Stuart Simmons (Australia FX committee), Stephane Maltrait of ING Bank in place of Ankur Pruthi (ECB Foreign Exchange Contact Group), Andrew Ng of DBS in place of David Lynne (Singapore FX committee), and Yudhveer Chaudhry of Blackrock in place of Christopher Vogel (US FX committee).

Volker Enseleit (European Central Bank) gave an overview of the Competition/Antitrust Law Guidelines for Members of the GFXC.

1. **Updates on Recent Developments**

The Chair reported that since the December 2022 GFXC meeting, more than 20 market participants had newly signed a Statement of Commitment to the FX Global Code (the 'Code'). In addition, the Central Bank of Kenya (CBK) had issued the Kenya Foreign Exchange Code to commercial banks in March 2023. This code was based on the FX Global Code, but customized to account for CBK's oversight role of the FX market in Kenya.

The Chair noted that EBS Direct had removed liquidity providers that do not comply with the Code from all of their trading venues by default. Three other examples included trading platforms (360T, Cboe FX, EuronextFX) who had previously required liquidity providers on their anonymous venues to sign the Code.

2. **Proportionality Self-Assessment Tool**

Richard de Roos (Proportionality Working Group lead) demonstrated the Proportionality Self-Assessment Tool (the 'Tool'), which was intended to facilitate Code adherence among market participants. By answering a series of questions, market participants would be able to generate an easy to read report highlighting the Principles of the Code most relevant to them. GFXC members provided positive feedback on the Tool and suggested that translation into other non-English languages could further promote Code adherence across jurisdictions. It was agreed that continued enhancement and maintenance of the Tool would be reviewed at the next GFXC meeting in December.

GFXC members anticipated that the new Tool would simplify the adherence process for many FX market participants, particularly for those with less complex FX market activities. Members also noted the importance of market participants reviewing all of the Code's Principles as they offer valuable understanding on FX market best practice. The Tool would be available on the GFXC website and be part of a broader suite of resources to facilitate adoption of the Code. Local Foreign Exchange

Committees (LFXCs) were also encouraged to share the Tool with markets participants for their use and collect feedback on its functionality.

Richard de Roos thanked the Working Group members for their contributions to the development of the Tool. Having completed its work, the Proportionality Working Group was formally closed.

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

The Working Group updated the Committee on its engagement efforts over the preceding six months to promote a deeper understanding of the benefits of Code adherence among market participants. Initiatives aimed to increase the visibility of the Code included partnering with industry groups and enhancing Code education and training. Going forward the reading materials for the Chartered Financial Analyst (CFA) level I qualification would reference the Code.

The Working Group also supported the development of a corporate knowledge hub and recorded several podcasts with representatives from buy-side firms outlining their motivation for adherence and the benefits of the Code. It was noted that the Working Group would continue its engagement with rating agencies to explore the possibility of recognising the Code within their Environmental, Social and Governance (ESG) assessment criteria. The GFXC encouraged work in these areas to continue.

4. **Approach to Price Adjustments for Unscheduled Holidays**

The Chair noted that there was no market standard on price adjustment in case of an unscheduled holiday. The potential need for a market standard had been raised, in particular by buy-side market participants, following the National Day of Mourning in the UK on 19 September 2022.

The Committee discussed two potential approaches for adjusting pricing where either the old price is kept (no price adjustment), or the price is adjusted by market-implied forward points. Although unscheduled holidays were not a common occurrence, the Committee concluded that establishing best practice would be beneficial.

The Committee agreed that due to other priorities the GFXC would not be able to resource further work on this topic. The Committee agreed that the GFXC Chair would write a letter to the International Swaps and Derivatives Association (ISDA) to understand whether any work had been done or could be done on this topic, and offer the support of the GFXC.

5. **FX Settlement Data**

Philippe Lintern (Bank of England) and Simon Manwaring (GFXC Co-Vice Chair) gave an overview of the existing BIS Survey used to collect FX settlement risk data, and highlighted some of the challenges with the current format. It was noted that not all of the Survey definitions were well understood by market participants leading to inconsistent responses. The existing Survey also provided limited insight into the behaviour of market participants around their FX settlement choices.

Mr Manwaring outlined a set of proposed updates to the Survey intended to strengthen FX settlement data integrity and improve the consistency of responses. These included revising the questions to: i) focus on FX volume settled rather than turnover volume, and ii) follow a risk waterfall model whereby the level of settlement risk would visibly increase as the waterfall descends.

Members welcomed the proposed updates and a few central banks offered to work with the Bank of England to refine the approach, which would be tested by some LFXCs through their semi-annual FX turnover surveys. The approach would ultimately be suggested to the BIS for inclusion in the 2025 Triennial Survey.

6. **Survey Results on Data Availability Topics for Inclusion in the Next Code Review**

The Chair recalled the discussion at the December 2022 GFXC meeting where members had agreed to consider data availability topics for inclusion in the next Code review. The three topics were: i) enhanced transparency around user-generated trade data, ii) availability of trade and market data for delegated execution, and iii) improved access to benchmarking data for FX derivatives, in particular for FX swaps. It was noted that in accordance with competition and antitrust guidelines the cost aspect of data was not within the remit of the GFXC.

The Chair summarized the results of a survey conducted among LFXCs to determine the priority of the data availability topics. Members noted that improved access to data for delegated execution would be particularly beneficial to the buy-side. After consultation with the LFXCs, the Committee agreed not to disregard any of the topics at this stage and a final decision would be made once the results of the 2023 GFXC Survey were available.

7. **Planning for 2023 GFXC Survey – Effectiveness of Last Code Review and Focus of Next Review**

The Chair presented the goals for the 2023 GFXC Survey which were to measure respondents' awareness and adoption of the Code, and the effectiveness of the Code and its associated materials as revised in July 2021. The Survey would also seek respondents' views on where the focus of the next regular Code review[1] should be.

Committee members agreed that the Survey be conducted and administered by the Bank of England, and launched in September for approximately three weeks. The results would be discussed at the December 2023 GFXC meeting and a summary of the results published in early 2024. Moreover, the results of the Survey, together with the feedback obtained from LFXCs and the BIS Markets Committee, would be used to establish the areas of focus for the 2024 Code review.

Committee members also agreed that the same set of criteria established for the last Code review would be used to determine which topics the next Code review would focus on. The criteria were:

I. The issue was reflective of changes in market practice, structure, or environment of the global FX market since the launch of the Code.

[1] See 'Maintenance of the Code' in GFXC Terms of Reference

II. The practice had taken place in the global FX market.

III. Industry practice in the area of concern would be improved through the development and industry-wide adoption of high-level principles of conduct and/or examples.

IV. The clarification of the practice would contribute to good structure, functioning, and communication across the FX market.

V. The current formulation of the issue/principle (or the absence of any statement) would be an impediment to committing to the Code for a significant share of market participants.

8. **GFXC Membership Criteria**

Philippe Lintern (Bank of England) explained that under the GFXC Terms of Reference (ToR) a LFXC could apply to join as a full member if it was an established central bank-sponsored FX committee or had a similar structure, undertook to endorse and actively promote the Code, and represented an important share of the global FX market. To ensure that the Committee would remain both diverse and effective a small central bank working group, consisting of the Bank of Mexico, Bank of England, European Central Bank and Federal Reserve Bank of New York, had been established to define the 'important market share' requirement.

The proposal by the working group was to limit full membership of the GFXC to a jurisdiction, or regional group of jurisdictions, that had a minimum of 1% global FX turnover by currency or sum of currencies, according to the BIS Triennial Survey. If any jurisdiction or regional group of jurisdictions were to lose the market share requirement for two consecutive periods they would automatically become associate members. However, to maintain regional representation the GFXC could allow a member to retain its full membership. The working group also proposed that a clause be added to the ToR whereby if any full member fails to participate in any of the activities of the GFXC over a two-year period, their membership would be automatically terminated.

The Committee supported the proposals. It was agreed that the application process for membership would be streamlined whereby LFXCs must make an official request to the GFXC Secretariat in order to be considered for membership. GFXC full members would make the final decision on membership by consensus. The Chair noted that the ToR would be updated accordingly.

Day 2, 2 June 2023

1. **GFXC Tour de Table**

GFXC members provided an overview of FX market conditions in their respective jurisdictions. Members reported an overall smooth functioning of G7 FX markets with low volatility, despite volatile policy rate expectations and short-term rates. One member noted the increase in Treasury Bill issuance following the suspension of the US debt ceiling and the potential impact on liquidity. They added that lower liquidity coupled with SA-CCR regulation would likely result in tight year-end US dollar funding markets. Latin American (LATAM) currencies had outperformed other emerging market currencies. This outperformance was attributed to positive real interest rates and the fact that LATAM central banks had raised interest rates sooner than other central banks.

LFXCs provided an update on their Code outreach activities. Engaging with buy-side market participants had remained a priority, and progress had been made across a number of jurisdictions with regards to Code adherence. Several LFXCs had attended events aimed at promoting the Code. Philippe Lintern (Bank of England) noted that the London Foreign Exchange Joint Standing Committee had been considering ways to encourage diversity and inclusion in its membership, and within the broader FX market.

2. **Shortening the US Securities Settlement Process and Potential Implications for the FX Market**

Anthony Macchiarulo and Tom Price (SIFMA) provided an update on the Securities and Exchange Commission (SEC) rule that will shorten the standard securities settlement cycle for most broker-dealer transactions from two business days after the trade date ("T+2") to one business day after the trade ("T+1") in the US. The SEC would also be adopting new rules to promote the completion of allocations, confirmations and affirmations by the end of trade date for transactions between broker-dealers and their institutional customers. It was noted that these changes would take effect on 28 May 2024.

SIFMA had undertaken a T+1 readiness survey. Most firms reported that they were on track to meet the T+1 transition deadline, and respondents thought that most of the larger counterparties and third parties would be ready. There were however some concerns noted around the readiness of smaller entities. Firms also reported concerns around same day affirmation, the likeliness of increased fails and testing schedules.

James Kemp (Global Financial Markets Association) summarized the potential impacts of T+1 settlement on the FX market. He highlighted that although the FX market already settles T+1 and T0, there would be knock-on challenges because of the need to execute securities transactions and any related FX transactions as close to each other as possible. The potential for increased settlement and operational risk was noted, as well as the compressed remediation time available between trade execution and settlement.

The Committee agreed that it was important for all FX market participants to understand the potential knock-on impacts of T+1 settlement so that the risks could be managed accordingly.

Day 2 Wrap up and next steps

The Chair noted that the term of Stefanie Holtze-Jen (as Co-Vice Chair) would conclude in December 2023, and that nominations for her replacement would be sought after the June meeting. The Leadership Selection Committee would consider the nominations and propose a candidate for endorsement by the GFXC at the December meeting.

It was noted that the press release would be published alongside the Proportionality Self-Assessment Tool on 5 June 2023 at 9:00am CEST on the GFXC website.

The Chair thanked the Bank of Mexico for hosting the meeting. It was noted that the next meeting would likely be virtual and take place in December 2023. Full details of the next meeting would be determined as soon as possible.

Endorsement of the New Chair

At the close of the meeting Andréa M. Maechler, member of the Governing Board of the Swiss National Bank, relinquished her role as GFXC Chair following her appointment as Deputy General Manager of the BIS.

The Committee endorsed the Leadership Selection Committee's proposal for Gerardo Israel García López, General Director of Central Bank Operations at the Bank of Mexico, as its new Chair for two-years effective immediately. Mr. García thanked the Committee for the endorsement and acknowledged the outgoing Chair for her leadership and significant contribution to the GFXC over the past 18 months.