

# Minutes

## Global Foreign Exchange Committee Meeting

8 December 2020

Location: Videoconference

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)

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:** Manuel Mondedeu (CIBC)

**Other Attendees:** Zahir Antia and Harri Vikstedt (Bank of Canada)

CHINA – Foreign Exchange Committee

**Public Representatives:** Sun Guofeng (People's Bank of China) and Sun Jie (China Foreign Exchange Trade System)

**Private Representative:** Sun Yu (Bank of China)

**Other Attendees:** Qiao Linzhi (State Administration of Foreign Exchange) and Li Yuqing (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:** Jens Budde (Deutsche Bundesbank)

**Other Attendees:** Volker Enseleit and Roswitha Hutter (European Central Bank) and Stephane Malrait (ING).

GEORGIA – Financial Markets Treasuries Association

**Public Representative:** Archil Mestvirishvili and Giorgi Laliashvili (National Bank of Georgia)

**Private Representative:** Lasha Jugeli (GFMTA)

HONG KONG – Treasury Markets Association

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

**Private Representative:** Chordio Chan (Bank of China)

INDIA – Foreign Exchange Committee**Public Representative:** Radha Shyam Ratho (Reserve Bank of India)**Private Representative:** Ashwani Sindhvani (FX Dealers' Association of India)INDONESIA – Indonesian Foreign Exchange Market Committee**Public Representative:** Donny Hutabarat (Bank of Indonesia)ISRAEL**Public Representative:** Françoise Ben-Zur (Bank of Israel)**Other Attendees:** Mickey Blank (Bank of Israel)JAPAN – Tokyo Foreign Exchange Market Committee**Public Representative:** Shuntaro Hara (Bank of Japan)**Private Representative:** Naoto Nakamura (MUFG Bank)**Other Attendees:** Misa Fujisaki (Bank of Japan)MEXICO – Mexican Foreign Exchange Committee**Public Representative:** Gerardo Garcia (Banco de Mexico)**Private Representative:** Javier Alvarado (MONEX Brokerage House)

Other Attendees: Mayte Rico (Banco de Mexico)

RUSSIA – Moscow Foreign Exchange Joint Standing Committee**Public Representative:** Valeriy Lyakh (Central Bank of Russia)**Private Representative:** Sergey Romanchuk (Metallinvest Bank)SINGAPORE – Singapore Foreign Exchange Market Committee**Public Representative:** Jaqueline Loh (Monetary Authority of Singapore)**Private Representative:** David Lynn (Deutsche Bank)**Other Attendees:** Cindy Mok (Monetary Authority of Singapore)SOUTH AFRICA – South African Foreign Exchange Committee**Public Representative:** Andries Tsishonga (South African Reserve Bank)**Private Representative:** Richard De Roos (Standard Bank of South Africa)SOUTH KOREA – Seoul Foreign Exchange Committee**Public Representative:** Jonghwan Gu (Bank of Korea)**Private Representative:** Kyungho Kim (Woori Bank)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 Lascale (Deutsche Bank)**Other Attendees:** Grigoria Christodoulou, Rohan Churm and David Edmunds (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:** Alex Cohen, Michelle Ezer, Sanja Peros, Dan Reichgott and Shawei Wang (Federal Reserve Bank of New York)Guests**Session 2:** Shirley Barrow (Refinitive Benchmark Services Ltd). **Session 3:** John Ball (Global Financial Markets Association).

**Item no. Minute****1. Welcome and Competition Guidelines**

Guy Debelle (the Chair) welcomed the members of the Global Foreign Exchange Committee (GFXC, or 'the Committee'), including representatives from Indonesia and Israel who were participating as GFXC members for the first time.

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

The members endorsed the proposal of the Leadership Selection Committee for Richard de Roos (Standard Bank Group) to serve a 2-year term as Co-Vice Chair of the GFXC. The Chair thanked Akira Hoshino (Citi) for serving as Co-Vice Chair since June 2018, noting the wide-ranging contributions he had made to the GFXC's work during that time, including his active promotion of the FX Global Code both within the Asian region and globally. In addition to being Vice-Chair, Hoshino-san led the GFXC's Working Group on Cover and Deal and more recently, as part of the 3-year review, has been co-leading the Working Group on Execution Principles.

**2. Update from Refinitiv Benchmark Services Ltd (RBSL) on WM/R benchmarks**

Shirley Barrow (RBSL) outlined the current focus areas for RBSL in administering the WM/Reuters benchmarks, including the steps they are taking to enhance their engagement with users. The GFXC welcomed these steps. RBSL stated they would welcome the opportunity to present on benchmarks to local FXCs. Members discussed trading patterns around the 4pm fix, referencing data presented by RBSL. The concentration of trading activity in the major currency pairs at that time of the day was noted, along with a slight contraction in spreads.

**3. Update on NDF fallbacks**

John Ball (GFMA) outlined the issues surrounding calculations for non-deliverable forwards (NDFs) in the event of market disruption. Basis risk can arise (both between bilateral versus cleared trades and cleared versus cleared trades) due to differences in the methods used by calculation agents. An overview of the work the GFMA was doing with industry participants in this area was provided.

**4. GFXC Working Group updates**

The Chair outlined the timeline for completing the review of the FX Global Code. The Working Groups would incorporate the feedback that had been received in recent days from the local FXCs and redistribute papers at the start of March. Following discussion of these papers at the GFXC's meeting in late March, a public 'Request for Feedback' on the more significant items would be

launched in April. Redrafted papers would then be distributed to the local FXCs in late May for 'fatal flaw' review, with final approval to be given at the GFXC's meeting in June.

The Chair advised that at the March GFXC meeting there would be a discussion about what expectations the GFXC should have for Market Participants that have provided Statements of Commitment in terms of reviewing them after the conclusion of the Code review.

The Working Group on Disclosures and Transparency presented a set of proposals to address the key issues identified in the disclosures landscape and discussed by the GFXC in September. In particular the Working Group proposed the creation and adoption of standardised disclosure cover sheets to help Market Participants navigate what can be lengthy and complex disclosures documents. The GFXC were supportive of the proposal and asked the Working Group to continue developing cover sheets for liquidity providers and platforms. The Committee also agreed it would be helpful for the Code to include more explicit references to the provision of information around trade rejections. Additional disclosure requirements on how Market Participants handle FX Trading Information internally in accordance with Principle 19 should also be considered.

The Working Group on Anonymous Trading provided an update on their analysis of key issues relating to trading activity within semi- and fully-anonymous environments. The themes of information symmetry, transparency and level of specificity were discussed. This was particularly as they related to the topics of data sharing policies, tag management, credit management, and platforms potentially identifying Code adherents on anonymous platforms. The GFXC stressed the importance of appropriate disclosures in these areas, and supported strengthening the applicable Code language.

The Working Group on Algorithmic Trading and Transaction Cost Analysis (TCA) set out their four areas of focus: TCA and data availability; control mechanisms and liability around the use of execution algorithms; identifying and managing conflicts of interest by Market Participants providing algorithmic trading services; and improving disclosures and user education. The GFXC agreed that the Group should continue to develop their analysis with draft proposals to be discussed at the March 2021 meeting.

The Working Group on Trade Execution Principles updated the Committee on the guidance material it is developing on last look, pre-hedging and riskless principal. Setting out clearly how last look and pre-hedging may be used and how that might impact trade execution was a key goal for the group. Members thought the draft guidance materials for these modes of execution could be enhanced to reflect the differing perspectives within the industry. For the paper on pre-hedging, it was agreed that the Working Group would look to discuss stop-loss and limit order types, potentially in a separate short note. For riskless principal, the Committee noted the growing industry adoption of execution techniques based on this type of 'back-to-back' or 'matched principal' style of execution, for example in 'direct market access' algorithms. It was therefore agreed that it would be useful for the Code to provide guidance on good market practice in this area. The Committee felt that this could most effectively be done by adding to the glossary and examples sections rather than by making changes in the Code's core principles. The Working Group will develop specific text for

discussion and approval at the next Committee meeting. Overall, the GFXC felt that the Working Group had made good progress across all three areas and stressed the value of greater transparency and clear disclosures. The Working Group will produce advanced drafts of their guidance ahead of the next GFXC meeting.

The Buy-side Outreach Working Group had distributed papers on a draft mandate for the Buy-side Liaison Group and the feasibility of conducting a study on the Code's impact on the industry. The papers were not discussed at the meeting, but the Chair asked for any comments on the Liaison Group's mandate to be emailed to the Secretariat in the coming days.

The Chair also asked that any feedback on the paper on FX settlement risk be provided to the Secretariat by the end of December. Work had also commenced on trying to gather more detailed and timely data on settlement methods within the industry. The Bank of England was coordinating that work, and liaising with the Bank for International Settlement (BIS) about the BIS's Triennial Survey. To better understand what data or other information is currently being collected in the different jurisdictions, the Bank of England would be distributing a short questionnaire to each of the central banks in the GFXC in the New Year. The Chair encouraged all central banks to complete the questionnaire.

#### 5. **Wrap up and Next steps**

The Chair noted that a [press statement](#) summarising the main points from the videoconference would be published on 10 December.

The GFXC's next videoconference will be held on 29 March 2021.