

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Wednesday 16 May 2007

MINUTES

Attendees

Paul Fisher	Bank of England, Chair
Sean Comer	Barclays
Christiane Mandell	Bank of America
Matthew Spicer	Credit Suisse
Henri Foch	BNP Paribas
Rob Loewy	Bank of China
Andrew Brown	HSBC
Richard Gladwin	Lehman Bros
Paul Blain	Morgan Stanley
Peter Nielsen	RBS
Michael Kahn	State Street
Kazuki Fukunaga	Bank of Tokyo Mitsubishi
Darren Coote	UBS
Phil Weisberg	FXAll
Brian Welch	ACT
Alex Merriman	BBA
Stewart Lloyd-Jones	WMBA
James Potter	Tullet Prebon
Leigh Meyer	Citi, Chair, Operations subgroup
Jacqueline Joyston-Bechal	Bank of England, Secretary, Legal subgroup
Sumita Ghosh	Bank of England, Secretariat
Benedict King	Bank of England, Secretariat
Heather Pilley	FSA

Others

Anthony Belchambers	Futures and Options Association (FOA) and MiFID Connect
Sarah Ward	FSA

Apologies

Marcus Browning	Citi
Andrew Brown	HSBC
Jack Jeffrey	EBS
David Clark	WMBA
Marcus Nysten	SEB
Ivan Ritossa	Barclays

1. Apologies for absence and welcome to the meeting

See above for list of apologies. The chair welcomed Stewart Lloyd-Jones to the committee, who was taking over from David Clark as the WMBA's representative on the FXJSC. He also welcomed Sarah Ward from the FSA and Anthony Belchambers from the FOA and MiFID Connect.

2. Minutes of the 14 March 2007 meeting and matters arising

The minutes of the previous meeting, held on the 17 January 2007, were agreed. There were no matters arising.

3. Presentation: MiFID Connect and EU-US Coalition on financial regulation

Anthony Belchambers explained the background to MiFID Connect. It had been started by the FOA to inform the work being done on MiFID compliance through thinking about issues surrounding implementation from the outset. MiFID Connect had developed into an organisation with 11 trade bodies as members, representing both the buy side and the sell side. Through its various working groups MiFID Connect had issued guidance across a range of MiFID issues in order to ensure that the implementation of Directives were cost efficient and market sensitive. It had worked closely with the FSA and the Treasury on these issues. The FSA had signed off MiFID Connect's guidelines on outsourcing and was getting close to doing so with others.

The collegiate style of working relationship that had developed between the trade bodies of MiFID Connect and the FSA was a viable paradigm for monitoring the need for changes to guidance in future. MiFID Connect, or a successor organisation, was expected to undertake this role.

The FOA initiated the establishment of the EU-US Coalition on Financial Regulation, which now comprises ten trade associations from both Europe and the United States, to accelerate negotiations on regulatory convergence and recognition and to establish a formal framework for accommodating industry input into the process. The process of MiFID implementation in Europe had

increased the possibility of transatlantic regulatory recognition. It had demonstrated that international regulatory recognition was practically workable and had greatly simplified the European regulatory environment for the US authorities. The possibility of international recognition had been further enhanced by a growing recognition in the US of the merits of principles-based, international supervision.

[**ACT:** Bank to email committee members for volunteers to discuss MiFID implementation with the New York FXC]

4. Regulatory update

The FSA informed the committee that the European Commission had proposed an EU Directive introducing a framework for a European approach to infrastructure protection. The Directive, if adopted, would require Member States to supervise infrastructure providers in various priority sectors, including the financial sector. It would also require Member States, among other things, to provide the Commission with information that could be used to develop further a common European approach to particular sectors.

5. Frankfurt Global Operations Managers Conference (Leigh Meyer)

Leigh Meyer briefed the Committee on the recent Global Operations Managers Conference, hosted by the ECB on 23-24 April. The conference had been attended by members FXJSC Operations Subgroup and provided an excellent forum for discussion of current industry issues. There were a lot of interesting presentations on a wide variety of topics, notably on strategic issues surrounding outsourcing and a round table discussion on prime brokerage. There had also been some interest expressed in developing an international code, covering similar issues to the NIPs code, but with an international remit.

6. Update on Operations subgroup

The Operations subgroup had met on May 10. City Networks had given a presentation on the advantages of voice brokering services over electronic broking. A member of the subgroup, who was also a member of the ACI, had given a presentation on the aims of the ACI and forthcoming training sessions the

organisation was offering. The subgroup had received updates from the working groups covering NDFs and confirmations. It has also agreed a strategy for finalising the work on the SSIs section of the NIPs code.

7. Update on Outreach Group

The second meeting of the FXJSC Outreach Group had taken place on 27 April, following the inaugural meeting in January. The Group had discussed a number of issues, including: recent market developments; the impact of MiFID on FX investors and counterparties; FX fixing processes and the algorithms that supported these. There were also discussions on third party access to CLS and financial sector contingency planning.

8. Update: Legal Sub-Group

A shortlist of candidates for the chair of the legal subgroup had been drawn up, but an appointment had not yet been made. LIBA had raised some points in relation to the new draft of the mandates section of the NIPs code. This had delayed publication of the updated Code. Members of the Legal Sub-Group have commented on the growing practice of syndicating derivative transactions and how this may require industry standard documentation.

9. Update: Chief dealers' subgroup

The Chief dealers' subgroup had met in April. Chris Allington (Merrill Lynch) had replaced Gary Nettlingham (HSBC). The group had discussed the recent market turbulence and the possible effect of central bank reserve diversification on the FX market. They also discussed the FX jobs market, noting, in particular, the strong demand for e-commerce specialists and those with quantitative modelling skills.

**The next meeting of the FXJSC will be held on
Wednesday 27 June 2007 at 4pm at HSBC**

FXJSC Secretariat

June 2007