

# FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Bank of England  
Wednesday 16 January 2008

## MINUTES

### **Attendees**

Brian Welch	ACT
Rob Loewy	Bank of China
John Ewan	BBA
Marcus Browning	Citi
Heather Pilley	FSA
Phil Weisberg	FXAll
Christopher Wilcox	JP Morgan
Harry Culham	Merrill Lynch
Richard Gill	Bank of New York
Michael Kahn	State Street
James Potter	Tullet Prebon
Darren Coote	UBS
Stewart Lloyd-Jones	WMBA
Paul Fisher	Bank of England, Chair
Sumita Ghosh	Bank of England, Secretariat
Mika Inkinen	Bank of England, Secretariat
Jacqueline Joyston-Bechal	Bank of England, Secretary, Legal subgroup

### **Other attendees**

Derek Sammann	CME Group
Andrew Durrant	CME Group

### **Apologies**

Zar Amrolia	Deutsche Bank
Andrew Brown	HSBC
Henri Foch	BNP Paribas
Richard Gladwin	Lehman Brothers
Leigh Meyer	Citi, Chair, Operations sub group
Peter Nielsen	RBS
Marcus Nysten	SEB
Susan Revell	Morgan Stanley, Chair, Legal subgroup
Ivan Ritossa	Barclays
Matthew Spicer	Credit Suisse

**1. Apologies for absence and welcome to the meeting**

Apologies from Ivan Ritossa, Matthew Spicer, Andrew Brown, Peter Nielsen, Richard Gladwin, Leigh Meyer, Zar Amrolia and Susan Revell who could not attend. The chair welcomed Derek Sammann and Andrew Durrant from CME Group to the meeting.

**2. Minutes of the 13 September 2007 meeting and matters arising**

The minutes of the September meeting were agreed. There were no matters arising.

**3. Presentation by Derek Sammann from CME Group**

Derek Sammann gave a presentation on global FX market trends. These broad themes included increasing global demand for risk management and risk mitigation tools as provided by the exchange model, convergence between asset classes, and increased segmentation of global FX liquidity pools. Regarding the increasing demand globally for risk management and risk mitigation tools as provided by the exchange model, there was a thorough review of the role of the Clearing House in acting as the central counterparty to all transactions and acting as the guarantor to all parties in transactions. Partly this segmentation had been driven by a shift from passive to active investment strategies, which in turn created demand for more diversified liquidity pools for risk management purposes. Furthermore, growth in algorithmic, hedge fund and managed future trading had seen an increase in demand for granular and transparent market data, which increasingly draws market participants to the exchange model where such data is available and distributed as a part of the transparency of the exchange model.

**4. Discussion: Recent market developments**

Attendees thought money market conditions had improved somewhat after the year-end, and that the FX swap market was functioning better. Other markets were still giving cause for concern. Volatility had fallen somewhat and conditions had generally been calmer, but a sense of fragility still persisted. Uncertainty about the distribution and extent of writedowns for banks was thought to be a contributing factor.

**5. FX Turnover Survey**

The Chair summarised early results from the October 2007 FX JSC turnover survey. Volumes had continued to grow across most products, with the notable exception of FX swaps. Similarly, volumes had grown for most currencies, with the exception of sterling.

**6. Preparation for Global Meeting of the FX Committees in April**

The Chair suggested organising a JSC event after the global meeting of FX committees.

**7. Regulatory Update**

Heather Pilley of the FSA raised the matter of how FX forwards are dealt with for MiFID purposes and described related EU developments.

**8. Update on Outreach group**

The Outreach group meeting had taken place on 15 January and had provided a forum for a good discussion on market conditions. The longer term outlook was still open, and counterparty risks in the OTC model were discussed.

**9. Update on Operations Sub group**

The operations sub group had met on 10 January. Attendees expressed a desire to seek a global approach to solving problems. The recently formed FX options group, looking at issues surrounding standardisation of FX options settlement instructions, was progressing well, and consultations with the legal sub group and the FSA were planned. The new format for the FX JSC turnover survey was important for attendees, who were anxious for the implementation to be as smooth as possible. On the contingency front, members were considering events last autumn and how well they had coped. Finally, Russian rouble settlement issues and education in terms of training for operations staff were discussed.

**10. Legal Sub group**

The legal sub group were scheduled to meet on 23 January.

**11. Chief Dealers Sub group**

The chief dealers sub group are scheduled to meet on 18 February.

**12. Any other business**

The Chair invited ideas for additional topics for the work programme for this year.

The Chair congratulated Alex Merriman for his promotion at the BBA. He also thanked Henri Foch and Kazuki Fukunaga, both of whom have stepped down from the committee, for their participation over the previous year.

The next FXJSC Main Committee Meeting was to be held on Wednesday 19 March at 4pm at Lehman Brothers.

**FXJSC Secretariat**

**November 2007**