

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

**Bank of England
Wednesday 19 March 2008**

MINUTES

Attendees

Brian Welch	ACT
Rob Loewy	Bank of China
Sean Comer	Barclays
Richard Gill	Bank of New York
Vincent Delorenzo	Bank of America
John Ewan	BBA
Heather Pilley	FSA
Phil Weisberg	FXAll
Nick Burgin	Goldman Sachs
Christopher Wilcox	JP Morgan
Richard Gladwin	Lehman Brothers
James Potter	Tullet Prebon
David Clark	WMBA
Susan Revell	Morgan Stanley, Chair, Legal subgroup
Paul Fisher	Bank of England, Chair
Grigoria Christodoulou	Bank of England, Secretariat
Sumita Ghosh	Bank of England, Secretariat

Other attendees

Costanza Jacazio	Barclays Capital
David Woo	Barclays Capital

Apologies

Zar Amrolia	Deutsche Bank
Andrew Brown	HSBC
Sarah Edgington	Morgan Stanley
Marcus Nysten	SEB
Darren Coote	UBS
Stewart Lloyd-Jones	WMBA
Leigh Meyer	Citi, Chair, Operations sub group

1. Apologies for absence and welcome to the meeting

Apologies from Zar Amrolia, Andrew Brown, Marcus Nysten, Darren Coote, Steward Lloyd-Jones and Leigh Meyer who could not attend.

The chair welcomed Sean Comer from Barclays, Vincent Delorenzo from Bank of America and Nick Burgin from Goldman Sachs to their first meeting. The chair also announced the appointment of Sarah Edgington from Morgan Stanley to the committee. He also welcomed Costanza Jacazio and David Woo from Barclays Capital as guest speakers.

2. Minutes of the 16 January meeting and matters arising

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

3. Presentation: Commodities and the FX market by Constanza Jacazio and David Woo (Barclays Capital)

Constanza Jacazio gave a presentation on the oil market outlook in 2008. The central characterisation of the market since 2005 has been the interaction of robust demand growth, weak non-OPEC supply growth and the presence of a significant risk of major geopolitical disturbances. Demand growth remains solid even with prices at historical highs. The outlook for non-OPEC supplies appears to be even weaker in 2008 than it has been in 2007 and conditions appear even less conducive for any significant output growth into the next decade. Finally, broader geopolitical developments remain a reason of concern, especially in the current market context, characterised by limited spare production capacity. While commodity investments are rising fast they are still not a major driver of overall price trends as, in most markets, their scale remains small relative to the size of the underlying physical markets.

David Woo discussed the growing negative correlations between oil prices and the USD. He argued that the direction of causality runs likely from rising oil prices to falling USD; although there are signs that the falling USD is also contributing to rising oil prices. He made the case that rising oil prices have a negative impact on the USD but less so for the EUR, even though both the US and the eurozone are large oil importers. This is because (1) oil exporting countries have a much stronger preference for eurozone goods than US goods, (2) the difference in the reaction of the ECB

versus the Fed in the face of rising oil prices, and (3) due to the different tax regimes for petrol across the Atlantic an increase in energy prices is a bigger percentage hit on real income in the US than in the eurozone.

4. Discussion: Recent market developments

Attendees noted that money market conditions remained impaired. FX swap market liquidity and tighter lending conditions are still areas of concern. Uncertainty about the strength of financial institutions persisted; market rumours were prevalent and weigh down on equity markets. It was noted that the FSA had issued a press release earlier that day about trading in UK financial shares.

5. New FX turnover survey

The new format of the FX JSC turnover survey has been agreed and will be implemented from April 2008.

6. Global Meeting of FX Committee (2nd April)

The second global meeting of FX committees will take place in London on 2 April. The members of the London FX JSC were invited to attend the evening reception.

7. International FX committee liaison

A quarterly liaison conference call between the various international committees' secretariats had taken place. It updated members from the different committees on the work streams and discussions that have been taking place in the different financial centres.

8. Update on Operations Sub group

The operations sub group had met on 13 March. Attendees discussed the main work priorities for 2008. These will include a review of operation processes, such as SSI confirmations, in order to improve efficiency in FX operations and investigating the possibility of creating a template of standards regarding currency settlement in different emerging markets. The Sub group will also seek to increase cooperation with other international FX committees on areas of common interest.

The Chair announced the appointment of Susan Balogh from Goldman Sachs as the new Operations Sub group chair.

9. Update on Legal Sub group

Heather Pilley of the FSA updated the committee on EU developments regarding the treatment of FX forwards under MiFID. The legal Sub group is progressing work on standardised FX options templates.

10. Chief Dealers Sub group

The Chief Dealers' Sub group met in February. The group had discussed market conditions and thought that FX spot liquidity continued to be robust while FX swap liquidity remained an area of concern, particularly towards the quarter end.

11. Any other business

The Chair noted that an updated version of the NIPS code was published on the FXJSC website on 29 February. The code includes a new section on mandates and updated text on confirmations and SSIs. The FSA will be in the process of reviewing the NIPS code with the view of updating all relevant references.

The next FXJSC Main Committee Meeting was to be held on Wednesday 14 May at 4pm at Citi.

FXJSC Secretariat

March 2008