

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Bank of England
Wednesday 14 May 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
James Bindler	Citi
Heather Pilley	FSA
Phil Weisberg	FXAll
Nick Burgin	Goldman Sachs
Christopher Wilcox	JP Morgan
Richard Gladwin	Lehman Brothers
Sarah Edgington	Morgan Stanley
James Potter	Tullet Prebon
David Clark	WMBA
Paul Fisher	Bank of England, Chair
Grigoria Christodoulou	Bank of England, Secretariat
Sumita Ghosh	Bank of England, Secretariat

Other attendees

Anthony Lim	GIC
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Apologies

Zar Amrolia	Deutsche Bank
Andrew Brown	HSBC
John Ewan	BBA
Marcus Nysten	SEB
Darren Coote	UBS
Stewart Lloyd-Jones	WMBA
Susan Balogh	Goldman Sachs, Chair, Operations sub group
Susan Revell	Morgan Stanley, Chair, Legal subgroup

1. Apologies for absence and welcome to the meeting

Apologies from Zar Amroliya, Andrew Brown, John Ewan, Marcus Nysten, Darren Coote, Stewart Lloyd-Jones, Susan Balogh and Susan Revell who could not attend.

The chair welcomed Anthony Lim from GIC as a guest speaker.

2. Minutes of the 19 March meeting and matters arising

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

3. Discussion on recent market developments led by Anthony Lim (GIC)

Anthony Lim gave a brief presentation on the history and current structure of the Singapore sovereign wealth funds, focusing in particular on GIC. GIC is wholly owned by the Singapore government with a mandate to preserve and enhance the country's financial reserves. GIC is active globally in a number of markets, including equities, fixed income, commodities, private equity, hedge funds, infrastructure et al.

Attendees agreed that liquidity in FX spot markets remained robust and had improved somewhat in FX swaps. Nonetheless, market uncertainty and volatility persisted and market conditions may take some time to recover.

4. Regulatory Update

Heather Pilley of the FSA updated the group on recent regulatory developments and initiatives.

The Financial Stability Forum (FSF) published a report on "enhancing market and institutional resilience" in April 2008. The report covers a range of areas including securitised products and liquidity risks. On the latter, the FSF noted that guidance will be issued for consultation by July 2008 on the supervision and management of liquidity risks. The report also calls on market practitioners to ensure that the settlement, legal and operational infrastructure for OTC derivatives is satisfactory.

In May the Committee on Payment and Settlement Systems (CPSS) published a progress report on the reduction of foreign exchange settlement risk. The report concludes that progress has been made following the establishment and growth of CLS Bank but further action is needed. The report recommends specific actions by individual institutions, industry groups and central banks to reduce and control remaining large and long-lasting exposures.

Heather Pilley also updated the committee on EU developments regarding the treatment of FX forwards under MiFID. In April the Commission published an answer on its website to the effect that MiFID does not apply to commercial foreign exchange forwards. Heather Pilley thanked the FXJSC main committee and legal sub-group members for their quick response and work on this issue.

5. Update on work of sub –groups

- Operations sub-group

The operations sub-group met on 8 May. The group considered the possibility of adding a section on electronic trading in the NIPS Code and are working together with the Chief Dealers sub-group to produce an initial draft for discussion. The group also discussed the availability of fix rates for non deliverable forwards (NDFs).

- Legal sub-group

The legal sub-group is progressing work on FX options and master NDF confirmations.

- Outreach sub-group

The Outreach sub-group met on 11 April and discussed recent market developments. They noted that while FX spot market liquidity remained robust, FX swaps and options continued to be an area of concern.

6. Any other business

The Chair noted that the second global meeting of FX committees took place in London on 2 April. The meeting was attended by members of the eight international

FX committees. Topics discussed included current market developments, algorithmic and retail trading, and the FX turnover surveys.

The next FXJSC Main Committee Meeting was to be held on Wednesday 2 July at 4pm at Morgan Stanley.

FXJSC Secretariat

June 2008