

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Bank of England
Wednesday 18 March 2009

MINUTES

Attendees

Stuart Siddall	ACT
Vincent Delorenzo	Bank of America
Rob Loewy	Bank of China
Richard Gill	Bank of New York
Sean Comer	Barclays
John Ewan	British Bankers' Association
James Bindler	Citi
Rob Close	CLS
Zar Amrolia	Deutsche Bank
Heather Pilley	FSA
Phil Weisberg	FXAll
Nick Burgin	Goldman Sachs
Andrew Brown	HSBC
Christopher Wilcox	JP Morgan
Sarah Edgington	Morgan Stanley
Richard Gladwin	Nomura
Roger Hawes	RBS
Richard Leighton	Standard Chartered
James Potter	Tullet Prebon
Darren Coote	UBS
Alex McDonald	WMBA
Susan Balogh	Goldman Sachs, Chair, Operations sub group
Jacqueline Joyston-Bechal	Bank of England
Paul Fisher	Bank of England, Chair
Mike Cross	Bank of England (New Chair)
Grigoria Christodoulou	Bank of England, Secretariat
Sumita Ghosh	Bank of England, Secretariat

Other attendees

Apologies

Vincent Leclercq	Calyon
Susan Revell	Morgan Stanley, Chair, Legal subgroup
Ben Welsh	Unicredit

1. Apologies for absence and welcome to the meeting

Apologies from Vincent Leclercq, Susan Revell and Ben Welsh who were unable to attend.

The Chair welcomed Alex McDonald from WMBA to his first meeting.

2. Minutes of the 28 January meeting and matters arising

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

3. Bank of England announcements and discussion on recent market developments

Paul Fisher gave a brief overview of the Bank of England Asset Purchase Facility. The initial objective of the Facility was to improve the liquidity in, and increase the flow of, corporate credit by making purchases of high quality private sector assets including commercial paper and corporate bonds. The Facility was initially authorised by HM Treasury to purchase up to £50 billion of private sector assets financed by Treasury bills. The first purchases of commercial paper began on 13 February.

The scope of the Asset Purchase Facility was also designed to enable it to be used by the Monetary Policy Committee in order to meet the 2% target for CPI inflation. At its March policy meeting the Committee voted for the Facility to purchase £75 billion of assets financed by reserves balances held at the Bank. The range of assets eligible for purchase by the Facility on behalf of the Committee included UK government debt. For this purpose, the Facility was authorised to purchase up to £150 billion, of which up to £50 billion should be used to purchase private sector assets.

Mike Cross explained the consequent changes to the Bank of England Sterling Monetary Framework. With effect from 5 March, and until further notice, the

Bank begun to remunerate all reserves balances held by reserves banks at Bank Rate. Therefore, the system in which reserves banks choose monthly reserves targets that they have to achieve on average over the maintenance period has been suspended. Charges will continue to be applied to any settlement bank overdrafts.

Discussing recent market developments, the Committee members observed that liquidity in FX spot markets had not yet recovered. Basis swaps remained elevated, especially for east European currencies. It was noted that market focus had shifted more towards macro-economic developments rather than solely on financials and credit market events.

4. Regulatory update

Heather Pilley noted that the Turner Review was published on 18 March. The Review identified the underlying causes of the crisis and stressed the importance of regulation and supervision being based on a system-wide "macro-prudential" approach rather than focussing solely on specific firms. The Turner Review made a number of specific recommendations and called for a debate on the need for product regulation in retail and wholesale markets, as well as the regulation of collateral margins in derivatives contracts and secured financing transactions.

5. FX Settlement Risk

Rob Close remarked that interest in CLS participation and membership had increased notably over the past few months. CLS are currently working on a number of initiatives designed to reduce FX settlement risk further, including the introduction of same-day settlement for certain currencies and the Out leg of the CLS "In-Out" Swaps.

6. Update on the work of sub-groups

- **Operations sub-group**

Susan Balogh gave a brief overview of the Operations sub-group 2009 work priorities. She noted that the group had reached out to members of the corporate, fund and asset management communities in order to establish a dialogue relating to FX market operations and to promote best practices across the market.

- **Chief Dealer sub-group**

The Chief Dealers sub-group met in 9 March. EBS attended the meeting to discuss the outage their FX trading platform that occurred in early March.

- **Legal sub-group**

The Legal sub-group was scheduled to meet later in March. The group was planning to discuss the Banking Act and the 2009 Operations sub-group work priorities.

7. Any other business

Rob Loewy, on behalf of the Committee members, thanked Paul Fisher his role in chairing the FXJSC over the past seven years and wished him well in his new role at the Bank of England as Executive Director, Markets and member of the Monetary Policy Committee.

The next meeting of the FXJSC will be held on Wednesday 13 May hosted by Heather Pilley at FSA.

FXJSC Secretariat

March 2009