

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

**Bank of England
Wednesday 13 May 2009**

MINUTES

Attendees

Brian Welch	ACT
Vincent Delorenzo	Bank of America
Rob Loewy	Bank of China
Richard Gill	Bank of New York
Sean Comer	Barclays
Cassandra Kenny	British Bankers' Association
James Bindler	Citi
Rob Close	CLS
Heather Pilley	FSA
Phil Weisberg	FXAll
Nick Burgin	Goldman Sachs
Roger Hawes	RBS
James Potter	Tullet Prebon
Alex McDonald	WMBA
Susan Balogh	Goldman Sachs, Chair, Operations sub group
Jacqueline Joyston-Bechal	Bank of England
Mike Cross	Bank of England, New Chair
Grigoria Christodoulou	Bank of England, Secretariat
Sumita Ghosh	Bank of England, Secretariat

Other attendees

John Nixon	ICAP
Steve Toland	ICAP
Jack Garratt-Jones	Bank of England

Apologies

Vincent Leclercq	Calyon
Zar Amrolia	Deutsche Bank
Sarah Edgington	Morgan Stanley
Richard Gladwin	Nomura
Richard Leighton	Standard Chartered
Darren Coote	UBS
Susan Revell	Morgan Stanley, Chair, Legal subgroup

1. Apologies for absence and welcome to the meeting

Apologies from Vincent Leclercq, Zar Amrolia, Sarah Edgington, Richard Gladwin, Richard Leighton, Darren Coot and Susan Revell who were unable to attend.

The Chair welcomed John Nixon and Steve Tolland from ICAP as the guest speakers.

2. Minutes of the 18 March meeting and matters arising

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

3. Overview of CLS/Traiana joint venture

Rob Close (CLS) gave a brief overview of the CLS joint venture with ICAP/Traiana which will provide trade aggregation services to participants active in the over the counter FX market.

The new service is designed to reduce the operational risk and costs associated with high volume FX trading. The joint venture will be a CLS subsidiary, 51% owned by CLS Group and 49% owned by ICAP, operating within the CLS regulatory framework. The trade aggregation service is expected, subject to regulatory approval, to become operational later this year.

4. Discussion on recent market developments

The Chair briefly summarised the announcement by the Bank of England's Monetary Policy Committee to extend its Asset Purchase Programme by £50 billion to £125 billion – with the remaining purchases of that new total to be completed in three months.

The JSC members agreed that market conditions appear to have normalised somewhat but noted that FX volumes have declined from their October 2008 levels. It was noted that cross currency basis swap spreads have begun to narrow, especially for eastern

European currencies, and the narrowing in Libor-OIS spreads may indicate an improvement in credit conditions.

5. Regulatory update

Heather Pilley noted that the FSA were continuing to consult with market participants on the Turner review and its accompanying discussion paper – the consultation period is due to end on 18 May. The FSA had also published a consultation paper on ‘Reforming remuneration practices in financial services’ in March.

HM Treasury have published a report outlining the UK government’s thinking on the potential changes to market practice, regulation and insolvency law that may be needed to deal with any future investment banking failure. It will be followed by further developments in the autumn.

6. Update on the work of sub-groups

- Operations sub-group

The work on non-deliverable option confirmations is nearing completion. The operations sub-group has begun to turn its attention towards establishing confirmation standards for more exotic options such as single barrier, double barrier, one touch binary options et al.

The sub-group has continued to cooperate with other international committees by holding regular liaison conference calls to discuss the workstreams of the individual groups.

- Legal sub-group

The legal sub-group met in March and discussed the implications of the Banking Act on FX markets. ISDA were invited to attend as guest speakers and reviewed close-out protocols.

7. Impact on platform liquidity given the changes in FX volumes over the past 6 months

John Nixon observed that spot FX trading volumes declined in 2009 from their 2008 peak, perhaps returning to more 'normal' levels. The FX trading landscape has changed somewhat over recent months with the most noticeable impact coming from banks which have less flow business.

With regards to their trading platforms, ICAP have taken steps to reduce 'price flashing' and are working towards increasing the speed of the EBS live feeds. Ongoing improvements to the network architecture and extra features to their system have also been added to improve functionality for manual traders.

8. Any other business

- NIPS Code

A new version of the NIPS Code was published in April, primarily to update references to the FSA handbook. The Code included a new paragraph encouraging market participants to utilise settlement services that reduce their exposures to settlement.

- Swine Flu

The Chair encouraged the Committee members to flag any issues that may be of concern with regards to Swine Flu.

- Annual Dinner

The 2009 Annual Dinner is scheduled to place on Wednesday 11 November.

The next meeting of the FXJSC will be held on Wednesday 1 July hosted by Richard Gill at Bank of New York Mellon.

FXJSC Secretariat

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