

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Bank of England
Wednesday 1 July 2009

MINUTES

Attendees

Brian Welch	ACT
Rob Loewy	Bank of China
Richard Gill	Bank of New York
Vincent Leclercq	Calyon
James Bindler	Citi
Rob Close	CLS
Zar Amrolia	Deutsche Bank
Heather Pilley	FSA
Phil Weisberg	FXAll
Nick Burgin	Goldman Sachs
Frederic Boillereau	HSBC
Troy Rohrbaugh	JP Morgan
Sarah Edgington	Morgan Stanley
Richard Gladwin	Nomura
Roger Hawes	RBS
Alex McDonald	WMBA
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

Adrian Berendt	LCH Clearnet
Simon Grensted	LCH Clearnet
Gavin Wells	LCH Clearnet

Apologies

Sean Comer	Barclays
Cassandra Kenny	BBA
Richard Leighton	Standard Chartered
James Potter	Tullet Prebon
Darren Coote	UBS
Susan Revell	Morgan Stanley, Chair, Legal subgroup
Susan Balogh	Goldman Sachs, Chair, Operations sub group

1. Apologies for absence

Apologies from Sean Comer, Cassandra Kenny, Richard Leighton, James Potter, Darren Coote, Susan Revell and Susan Balogh. The Chair welcomed Frederic Boillereau and Troy Rohrbaugh to their first meeting.

The Chair also welcomed Gavin Wells, Simon Grensted and Adrian Berendt from LCH.Clearnet as the guest speakers.

2. Minutes of 13 May 2009 meeting and matters arising

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

3. Lessons learned from the Lehman's default and outlook for the FX market

Simon Grensted (LCH.Clearnet) gave a brief background to central counterparty clearing and discussed the lessons learned from Lehman Brothers' default.

LCH.Clearnet clear both exchange-traded and over-the-counter transactions. As a central counterparty, LCH.Clearnet assume the counterparty risk by novating and guaranteeing every trade.

To protect themselves and their members in the event of a counterparty default, LCH.Clearnet have a default management process in place. Following the Lehman Brothers bankruptcy, LCH.Clearnet were able to unwind all the Lehman positions without their members incurring any losses.

Gavin Wells (LCH.Clearnet) noted that LCH.Clearnet have been conducting some preliminary research on the FX market to ascertain whether it would be feasible and desirable to extend their product coverage. He noted that while FX trading

volumes have generally declined from their October 2008 levels, ticket volumes remain high. Costs per ticket tend to vary between FX products. Overall, LCH.Clearnet found that there is a desire among FX market participants to reduce credit, liquidity, and settlement risk (for trades outside CLS) further.

4. Review of market developments

The Committee agreed to conduct a review of the foreign exchange market and its operation during the recent financial crisis. For this purpose a special working group will be set up comprised of representatives from the Main Committee, Operations and Legal sub-groups. The special working group is expected to report back to the Main FXJSC at its September meeting.

5. Regulatory update

Heather Pilley noted that changes have now been agreed at the European Council level for a recommended new system of financial supervision, in particular, for establishing a European System of Financial Supervisors, which will comprise three new supervisory authorities. The objectives for those changes were to improve the quality and consistency of supervision, strengthen cross border supervision and establish an EU rule book. The current timetable is for the framework to be in place during 2010.

A paper was expected shortly from HMT on financial markets.

Heather Pilley also alerted the Committee members to the forthcoming publication of a European Commission consultation paper on the over-the-counter (OTC) derivatives market in Europe.

In the US, in May, the Treasury Secretary submitted a set of proposals on the regulatory reform of over-the-counter derivatives.

In addition, the deadline of 31 July 2009 set with the European Commission by dealers for them to use European central counterparties (CCPs) for credit default swaps on European reference entities was approaching.

6. Update on work of sub-groups

- Operations sub-group

Settlement risk reduction remains one of the key workstreams for the Operations sub-group. The group has been looking at the current CLS membership and possible ways of extending it further.

The work on establishing electronic confirmation standards for non-deliverable options and simple exotic options is ongoing.

- Legal sub-group

The next legal sub-group meeting is scheduled for July where they will discuss the Turner Review.

7. Any other business

- Annual Report

The 2008 FXJSC Annual Report was published on the 2009 Q2 Bank of England *Quarterly Bulletin*.

- Turnover Survey

The results of the April 2009 FXJSC Turnover Survey are expected to be published on Monday 27 July.

- Annual Dinner

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

The next meeting of the FXJSC will be held on Tuesday 22 September hosted by the Bank of England

FXJSC Secretariat

September 2009