

## FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Tuesday 27 January 2015

HSBC, 8 Canada Square, Canary Wharf, London, E14 5HQ

### MINUTES

#### **In Attendance**

<i>Michael Cross</i>	<i>Bank of England</i>
<i>Robert Spillett</i>	<i>Bank of England</i>
<i>Jo West</i>	<i>Bank of England</i>
<i>Jacqueline Joyston-Bechal</i>	<i>Bank of England</i>
Frederic Boillereau	HSBC Group (Host)
Brian Welch	Association of Corp Treasurers
Christopher Bae	BAML
Rob Loewy	Bank of China
Richard Gill	Bank of New York Mellon
Fujio Nishio	Bank of Tokyo-Mitsubishi
Adrian McGowan's	Barclays
Andrew Rogan	BBA
James Bindler	Citi
Heather Pilley	FCA
Phil Weisberg	Thomson Reuters
Richard Metcalfe	Investment UK
Lisa Scott-Smith	Millennium Global
Isabelle Dennigan	RBC
Tim Carrington	RBS
James Potter	Tullett Prebon
Christian Kopf	Spinnaker (Guest Speaker)

#### **Apologies**

Chris Allen	Barclays
Graeme Munro	JP Morgan
David Puth	CLS
George Athanasopoulos	UBS
Troy Rohrbaugh	JP Morgan
Gil Mandelzis	ICAP
Tom Springbett	FCA
Alex McDonald	WMBA

## **1. Apologies for absence**

Apologies were received from Chris Allen, , David Puth, George Athanasopoulos, Troy Rohrbaugh, Gil Mandelzis, Alex McDonald and Graeme Munro. Mr Cross welcomed the Deputy Chair of the FX Operations subgroup Isabelle Dennigan.

## **2. Minutes of 18 November meeting and matters arising**

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

## **3. Market Conditions in EME's (*Christian Kopf, Spinnaker*)**

Christian Kopf (Money Manager at Spinnaker Capital) presented on themes in Emerging Market (EME) FX. The weakness of EME FX over the past three years, in particular 2014 was noted. The concept that current account deficits run by major EME countries was responsible for FX underperformance was challenged by the presenter. It was suggested that some EME central banks had become more willing to use currency depreciation as a monetary policy tool. EME liquidity was also discussed. While liquidity remains sufficient in the EME FX market, regulatory pressures were thought to have contributed to a deterioration in liquidity in the EME corporate bond market.

## **4. Recent Volatility in the Swiss Franc (*All*)**

Tim Carrington introduced a discussion on the functioning of the FX markets following the volatility in the Swiss franc on 15 January 2015. The Committee discussed the events and the impact on FX pricing, liquidity and market making capacity. The circumstances surrounding the moves in EUR/CHF were thought to be unique and it was difficult to draw historical comparisons with other idiosyncratic

moves in FX markets. Despite huge volatility and unprecedented volumes, FX markets had continued to function with client orders being filled. Traditional voice trading had largely been used to satisfy demand. The depth of liquidity in FX markets and the impact of electronic trading were also discussed. The speed of the move was thought to have been exacerbated by electronic trading platforms being disengaged owing to the one-sided nature of the move lower in EUR/CHF.

#### **5. Regulatory update (*Heather Pilley*)**

Heather Pilley presented on regulatory matters, noting that a further MiFID II/MiFIR consultation was published on 19 December 2014. A further document consulting on FX pre and post-trade transparency was expected to be published by ESMA in February.

#### **6. Update on the Global Preamble (*Michael Cross*)**

Michael Cross provided an update on the 'Codes of Best Market Practice and Shared Global Principles' that had been prepared collaboratively by the FX committees of the eight major global foreign exchange centres. The purpose of the document was to bring together common principles from the respective local codes into a single document.

The drafting process of the preamble was ongoing; Robert Spillett indicated there would be a short period for Committee members to a second round of comments in early February. The aim was then for the preamble to be formally agreed at the global FX Committee meeting in March and published thereafter.

#### **7. Updates from the subgroups**

**Legal (*Jacqueline Joyston-Bechal*)**

The Legal subgroup met on 20 November. The Fair and Effective Markets Review consultation document had been discussed.

**Buy-side (*Lisa Scott Smith*)**

The Buy-side subgroup had not met since the previous Main Committee meeting. It was due to meet on 24 February.

**Operations (*Isabelle Dennigan*)**

The Operations subgroup met on 13 January. The subgroup received presentations from SWIFT on cyber risk and discussed 'Exercise Blackbox', a sector-wide contingency desktop exercise organised by the Investment Banks Business Continuity Group on 20th January 2015. The outcome of the exercise would be shared with the group later on this year and may highlight areas it needs to focus on. The group also discussed the client on-boarding process and there was interest in looking into this subject more.

**8. Any other business (*All*)**

Robert Spillett updated to the Committee that the October 2014 FXJSC FX Turnover Survey had been published earlier in the day. This would be discussed at a future meeting.

**The next meeting of the FXJSC will be held on 31 March 2015 at Barclays**