

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Tuesday 31 March 2015

Barclays, Churchill Place, E14 5HP

MINUTES

In Attendance

<i>Chris Salmon</i>	<i>Bank of England (Guest speaker)</i>
<i>Michael Cross</i>	<i>Bank of England (Chair)</i>
<i>Robert Spillett</i>	<i>Bank of England (Secretariat)</i>
<i>Chris Cox</i>	<i>Bank of England (Guest speaker)</i>
<i>Amy Lee</i>	<i>Bank of England (Secretariat)</i>
Rob Loewy	Bank of China
Fujio Nishio	Bank of Tokyo-Mitsubishi
Chris Allen	Barclays (Legal)
Adrian McGowan	Barclays
James Bindler	Citi
Heather Pilley	FCA
Frederic Boillereau	HSBC
Richard Metcalfe	The Investment Association
Troy Rohrbaugh	JP Morgan Chase
Tim Carrington	RBS
Phil Weisberg	Thomson Reuters
Brian Welch	Treasury Consultancy
James Potter	Tullet Prebon
Richard Gill	Bank of New York Mellon
George Athanasopoulos	UBS
David Puth	CLS Bank

Apologies

Jacqueline Joyston-Bechal	Bank of England
Joanna West	Bank of England
David Clark	WMBA
Alex McDonald	WMBA
Lisa Scott-Smith	Millennium Global
Graeme Munro	JP Morgan Chase
Isabelle Dennigan	RBC
Gil Mandelzis	EBS Broker-Tech
Andrew Rogan	British Bankers' Association

1. Apologies for absence

Apologies were received from David Clark, Alex McDonald, Lisa Scott Smith, Graeme Munro, Isabelle Dennigan, Gil Mandelzis, Andrew Rogan, Jacqueline Joyston-Bechal and Joanna West.

2. Minutes of 27 January meeting and matters arising

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

3. Round table discussion with Chris Salmon – Executive Director Markets

Chris Salmon presented on the Bank's recent review of its Market Intelligence (MI) function, the results of which were published in February 2014, alongside a new MI Charter. The Fair and Effective Markets Review (FEMR) was also discussed. FEMR published a consultation document in October 2014, with responses sought by the end of January 2015; FEMR will make its final recommendations in June 2015.

There was a discussion on the UK general election and the possible impacts on FX markets. Whilst short term volatility seemed possible in sterling given the uncertain outcome, it was likely that global macro themes would continue to have a greater impact.

There was also a discussion of whether recent sharp moves in some exchange rates suggested that the depth of liquidity in FX markets had reduced, or had become more fragile in volatile market conditions. Possible contributory factors suggested included: changing regulation of banks' trading activities; changing bank business models; the increasing prominence of non-bank liquidity providers; the expansion in the number of trading platforms; and technological changes, particularly in the area of

trade execution. Members had a range of views, but agreed that conditions should be kept under review.

4. The Global Preamble and themes from the Tokyo FX Committee (*Mike Cross/Frederic Boillereau*)

Mike Cross discussed the global FX meeting in Tokyo, noting that the main item was the endorsement of the Global Preamble. The Preamble was agreed to be a significant milestone. The global committee agreed on two further actions to build on this work. The first would be to discuss the scope of further harmonising the various codes of conduct adopted by the committees; the second would be to examine ways to promote consistent adherence by FX market participants to the Preamble and the various codes of conduct.

5. FX JSC Turnover Survey (*Chris Cox*)

The key points of the October 2014 London turnover survey (published January 2015) were that FX turnover rose by 11%, to a new high of \$2.7trn a day; turnover was 5% greater than the previous highs of April 2013. Spot turnover rose 40% in the period, partially offset by FX swap turnover falling 14%. The UK accounts for 55% of overall turnover. There was also an increasing concentration of turnover among the largest market participants.

6. Progress on the FSB FX Benchmark Group recommendations (*Rob Spillett*)

Mark Carney, in his capacity as chair of FSB, has asked FX committees globally to report back on local implementation of recommendations from the FSB Report on Foreign Exchange Benchmarks (recommendations six to thirteen of the September

2014 report). The survey would be circulated shortly to Main Committee members. It was acknowledged that there may be overlap for multi-national entities in completing the survey, but that any regional differences and adherence with local benchmarks should be highlighted.

7. Revised Terms of Reference (*Rob Spillett*)

Updated FXJSC Main Committee Terms of Reference were presented. Members were asked to submit comments. These will now be reviewed and updated annually.

8. Sub-committee updates

Buy-side sub-committee

There has been no buy-side sub-committee since the last meeting. The buy-side sub-committee is due to meet next in May 2015.

Operations sub-committee

Graeme Munroe (JP Morgan) had stepped down from the operations sub-committee, and as chair. The Chairman expressed the committee's gratitude to Graeme for his six years' service as chair. Isabelle Dennigan will succeed Graeme as chair of the operations sub-committee. A new deputy chair will be appointed in due course.

A 'black box' contingency exercise took place in February with many London FX market participants contributing. The exercise took the form of a scenario simulating the failure of a settlement engine. Findings were still being agreed but there were likely to be follow-up actions for the sub-committee.

Legal sub-committee

The sub-committee have commented on the competition guidelines produced by McKinsey, which are now close to completion. The group also discussed their Terms of Reference document, the Global Preamble and received a presentation on MIFIR II.

The next meeting of the FXJSC Main Committee will be held on 19 May at Bank of New York Mellon.