

FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Tuesday 19 May 2015

Bank of New York Mellon, One Canada Square, Canary Wharf, E14 5AL

MINUTES

In Attendance

<i>Michael Cross</i>	<i>Bank of England (Chair)</i>
<i>Robert Spillett</i>	<i>Bank of England (Secretariat)</i>
<i>Jacqueline Joyston-Bechal</i>	<i>Bank of England (Legal)</i>
<i>Jo West</i>	<i>Bank of England (Secretariat)</i>
Rob Loewy	Bank of China
Fujio Nishio	Bank of Tokyo-Mitsubishi
Adrian McGowan	Barclays
Andrew Rogan	British Bankers' Association
James Bindler	Citi
David Puth	CLS Bank
Heather Pilley	FCA
Gil Mandelzis	EBS BrokerTec
Frederic Boillereau	HSBC
Richard Metcalfe	The Investment Association
Troy Rohrbaugh	JP Morgan Chase
Lisa Scott-Smith	Millennium Global
Isabelle Dennigan	RBC (Operations Sub-committee Chair)
Phil Weisberg	Thomson Reuters
James Potter	Tullet Prebon
Richard Gill	Bank of New York Mellon
George Athanasopoulos	UBS
Alex McDonald	WMBA
<i>Damien Shanahan</i>	<i>FCA (Guest speaker)</i>
<i>Caroline Michel</i>	<i>FCA (Guest speaker)</i>
<i>Alastair Kellett</i>	<i>FCA (Guest speaker)</i>
<i>Phil Scott</i>	<i>Vodafone (Guest speaker)</i>
<i>Jamie Stead</i>	<i>Vodafone (Guest speaker)</i>

Apologies

Chris Allen	Barclays (Legal)
Brian Welch	Treasury Consultancy

1. Apologies for absence

Apologies were received from Chris Allen, David Clark and Brian Welch.

2. Minutes of 31 March meeting and matters arising

The minutes of the March meeting were agreed.

3. FX from a corporate perspective – Vodafone (*Phil Scott and Jamie Stead*)

Phil Scott (Deputy Treasurer) and Jamie Stead (Head of FX) from Vodafone provided a view of FX markets from a corporate perspective. Phil Scott summarised Vodafone's structure and gave some commentary on how the changing FX landscape was impacting their business. Items of discussion included both regulatory reforms and practical changes as a result of technological advances. On regulation, Vodafone noted the impact of compliance of EMIR trade reporting requirements on their operations and indicated they had not seen the benefits of this increased transparency to date. On trade execution, Vodafone indicated they had seen increased preference for market participants wishing to trade on electronic platforms, rather than by telephone. The committee discussed the use of voice trading vs platforms, noting possible implications on large order execution and costs. Vodafone also addressed increased complexities in trading due to advancements in algorithmic platforms and gave a view of their use of FX fixes.

4. Best Execution – FCA (*Damien Shanahan, Caroline Michel, Alastair Kellett*)

The FCA provided a summary of the best execution regime, detailed within the FCA handbook and underpinned by Art. 21 of the MIFID Level 1 Directive. Caroline Michel presented on definitions and details of the regime, which requires that firms executing orders for retail and professional clients take all reasonable steps to obtain the best possible results on a consistent basis. She also presented a summary of the

findings from the FCA's supervisory thematic review TR14/13 conducted in 2014. The committee discussed various issues the industry faced in achieving best execution, particularly how it applies to the variety of transactions and business models in the FX markets, overall scope and interpretation. Amendments to the regime under MiFID II, due in January 2017 were also outlined.

5. Operations Sub-committee workplan update (*Isabelle Dennigan*)

Isabelle Dennigan provided an update on progress of the FXJSC Operations sub-committee working groups for 2014, which was split into three separate workstreams:

(a) *EU Trade Reporting – Sarah Mullen (BoAML)*: this workstream looked at how to improve existing matching rates and general reporting in the trade repositories for FX activity. The working group had conducted a survey, collating detailed data on matching rates and data quality. It was agreed that the output of this exercise would be contributed to a number of industry FX working groups looking at similar issues under EMIR trade reporting. It was agreed that this working group could be closed.

(b) *Post Trade Risk Management – Richard Norman (RBS)*: this working group initially had a broad aim of exploring improvements in post trade flows and processes – such as portfolio reconciliation, collateral, trade reporting and confirmation. The group focused its efforts on Unique Trade Identifiers (UTIs), conducting a survey to investigate UTI utilisation and governance to obtain feedback to establish trends. The group made a number of best practice proposals and has agreed to contribute this work to similar FX industry working groups. It was agreed that this working group could be closed.

(c) *FX turnover surveys – John Blythe (Goldman Sachs)*: This working group will continue into 2015, with an aim of assessing similarities between a number of surveys, such as the semi-annual FXJSC turnover survey, the BIS triennial survey and other central bank surveys and continuing to look at whether regulatory trade reporting data could be used in the long term to either replace or complement the turnover surveys.

For the 2015 sub-committee working plan, Isabelle Dennigan outlined a proposal to setup a new working group focusing on the actions arising from a recent FX sector resilience exercise. “Exercise Blackbox” took place in February 2015, whereby London FX market participants contributed to a scenario simulating the failure of a settlement engine.

This new FXJSC working group intend to focus on actions such as documenting FX contingency planning, infrastructure transparency and exploring bilateral netting arrangements.

The Committee agreed that the first two 2014 working groups could be disbanded and work could continue on FX turnover surveys and Exercise Blackbox issues during 2015.

6. Regulatory Update (*Heather Pilley*)

Heather Pilley (FCA) gave an overview of recent FX regulatory progress to the committee. Items of discussion included: (i) progress in derivatives documentation of cross-border transactions in relation to resolution stays on early termination; (ii) a review at of EMIR (focusing on trade reporting, margining and clearing), (iii) indication of timelines on MiFID II, including the scope of the FX perimeter; (iv) noting the Fair and Effective Markets Review is expected to report in June 2015.

7. Sub-committee updates

Legal sub-committee

The legal sub-committee have not met since the last Main Committee meeting.

Buy-side sub-committee

There has been no buy-side sub-committee since the last meeting and they are scheduled to meet in early June 2015.

8. Any other business

Rob Spillett (FXJSC Secretariat) indicated that the FXJSC Annual Review article would be published in the Bank of England's June 2015 *Quarterly Bulletin* and would be circulated to committee members.

Mike Cross also noted on 11th May 2015, the Bank of International Settlement (BIS) announced the formation of a new working group, under the auspices of the BIS Markets Committee, to establish standards and principles for a single FX global code of conduct, promoting greater adherence to these standards and principles and providing input into the wider official effort on market conduct coordinated by the FSB. The working group will be chaired by Guy Debelle (Reserve Bank of Australia), Chairman of the Markets Committee.

The next meeting of the FXJSC will be held on 22 September at JP Morgan