

## FOREIGN EXCHANGE JOINT STANDING COMMITTEE

Tuesday 22 September 2015

JP Morgan, 25 Bank Street, Canary Wharf E14 5JP

### MINUTES

#### **In Attendance**

<i>Chris Salmon</i>	<i>Bank of England (Chair)</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
Conor Lawlor	British Bankers' Association (Alternate)
James Bindler	Citi
David Puth	CLS Bank
Tom Springbett	FCA (alternate)
Frederic Boillereau	HSBC
Troy Rohrbaugh	JP Morgan Chase
Lisa Scott-Smith	Millennium Global
Isabelle Dennigan	RBC (Operations Sub-committee Chair)
Brian Welch	Treasury Consultancy
James Potter	Tullet Prebon
Richard Gill	Bank of New York Mellon
George Athanasopoulos	UBS
Alex McDonald	WMBA
<i>Grigoria Christodoulou</i>	<i>Bank of England (Speaker)</i>
<i>Elizabeth Darkens</i>	<i>Bank of England (Speaker)</i>
<i>Geoff Coppins</i>	<i>Bank of England (Speaker)</i>

#### **Apologies**

Andrew Rogan	British Bankers' Association
Chris Allen	Barclays (Legal)
Gil Mandelzis	EBS Broker-Tech
Heather Pilley	FCA
Richard Metcalfe	The Investment Association
Phil Weisberg	Thomson Reuters

## **1. Apologies for absence**

Apologies were received from Andrew Rogan, Chris Allen, Gil Mandelzis, Heather Pilley, Richard Metcalfe and Phil Weisberg. Chris Salmon introduced himself as the new Committee chair and thanked the previous chair, Mike Cross for his long-standing and valuable contribution to the Committee.

## **2. Minutes of 19 May meeting and matters arising**

The minutes of the May meeting were agreed.

## **3. Discussion of recent market developments**

The Committee discussed foreign exchange market conditions, with a focus on the impact of changes in the People's Bank of China (PBoC) methodology for setting the daily Renminbi exchange rate and the subsequent depreciation of the Renminbi, as well as an increase in emerging market exchange rate volatility. Members noted the dovish tone of the latest FOMC statement in the United States had somewhat dampened appetite for riskier assets. More broadly, the Committee argued that structural changes, such as the introduction of the Volcker rule, had impacted liquidity of G10 currencies.

## **4. FX Global Code**

Chris Salmon introduced a discussion on the overall approach and timetable for the FX Global Code work; a key initiative for FX markets and the central banking community. Grigoria Christodoulou (Bank of England) updated the Committee on developments since their previous meeting. In May, the Foreign Exchange Working Group (FXWG) was established (under the auspices of the BIS) to strengthen code of

conduct standards and principles in foreign exchange markets. Work on developing the Global FX Code has been separated into two work streams; one to draft the new code (lead by Simon Potter, Federal Reserve Bank of New York) and a second to develop proposals to promote and incentivise adherence to the new code (lead by Chris Salmon, Bank of England). The work of the FXWG is expected to be completed in May 2017, with an interim update published in May 2016.

Elizabeth Darkens (Bank of England) outlined some of the key themes the adherence work stream was likely to consider, including how the new code could be embedded in market participants' systems and controls, creating transparency to be able to monitor and demonstrate adherence to the code, as well as examining appropriate incentives for participants to adhere to the code.

The work of the FXWG will be supplemented by an additional group of private sector Market Participants (MPG), drawing on participants from the sell side and buy side of the market as well as FX infrastructure providers, chaired by David Puth (CLS).

David Puth gave a summary of the MPG's structure, membership and provided insights into the work that the MPG is supporting and coordinating on.

Chris Salmon urged FXJSC members to remain actively engaged in the process and contribute as appropriate, suggesting that the FX Global Code will be a standing agenda item at future Committee meetings.

## **5. Regulatory Update**

Tom Springbett (FCA) gave an overview of recent FX regulatory developments to the Committee. Items of discussion included: (i) an update of the European Securities and Markets Authority (ESMA) delivering draft regulatory technical standards for the Markets in Financial Instruments Directive and Regulation (MiFID II); (ii) the European Commission's work on the definition of foreign exchange derivative instruments under the delegated acts of MiFID II; (iii) an update on the Commission's evaluation of responses to the European Market Infrastructure Regulation (EMIR) review conducted in summer 2015; and (iv) a progress update on the mandatory collateralisation of non-centrally cleared derivatives in Europe.

Members of the Committee noted that the definition of FX derivatives under MiFID II was likely to have practical implications for their operations going forward.

## **6. Fair and Effective Markets Review**

Geoff Coppins (Bank of England) provided an update on the implementation of the recommendations from the Fair and Effective Markets Review (FEMR) following the publication of the Review's Final Report in June 2015. Topics covered included the creation of the FICC Markets Standards Board (FMSB); the recommendation for a mandatory form for regulatory employment references; and the creation of the FXWG to develop a global FX code of conduct (as discussed earlier in the meeting). Geoff Coppins noted that the Review's Chairs will provide a public implementation update to the Chancellor of the Exchequer and the Governor of the Bank of England in June 2016.

## **7. FXJSC – discussion of future role and membership structure**

Chris Salmon indicated that the FXJSC Secretariat were in the process of updating the FXJSC terms of reference. In that context, the membership structure of the FXJSC would also be reviewed to ensure that the Committee continues to reflect the diversity of FX markets and can effectively discharge its mandate.

## **8. Sub-committee updates**

### *Legal sub-committee*

The legal sub-committee were next due to meet on 28<sup>th</sup> September 2015.

### *Operations sub-committee*

The operations sub-committee last met on 17<sup>th</sup> September 2015. The sub-committee received a presentation on the Global FX code and discussed how members could actively contribute to the work of the FXWG. The sub-committee additionally considered the results of the April 2015 FXJSC turnover survey, noting synergies with the FX turnover surveys working group's progress. The sub-committee additionally discussed the development of actions under the sub-committee's FX settlement resiliency working group.

### *Buy-side sub-committee*

The buy-side sub-committee last met on 4th June 2015. The sub-committee considered the impact of central bank policy decisions and political developments on market liquidity. The sub-committee additionally discussed progress in the implementation of FSB FX benchmark recommendations.

## **9. FXJSC Turnover Survey**

Chris Salmon provided a short overview of the latest April 2015 FXJSC turnover survey results published in July 2015.

## **10. Any other business**

Chris Salmon announced that Troy Rohrbaugh (JP Morgan) and Brian Welch (ACT) would be stepping down from the FXJSC Main Committee and thanked both for their contributions to the FXJSC over a number of years.

**The next meeting of the FXJSC will be held on 17 November at the Bank of England.**