

**FOREIGN EXCHANGE JOINT STANDING COMMITTEE –
ADDITIONAL MEETING**

Friday 22 April

Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA

MINUTES

In Attendance

Sarah Boyce	Association of Corporate Treasurers
Wang Yan	Bank of China
Richard Gill	Bank of New York Mellon
Tetsuro Kono	Bank of Tokyo-Mitsubishi UFJ
James Hasset	Barclays
Marcus Browning	BlueCrest Capital
Ronald Kent	British Bankers' Association
James Bindler (<i>Via conference call</i>)	Citigroup
David Puth (<i>Via conference call</i>)	CLS
Cameron McKay (<i>Alternate</i>)	Deutsche Bank
James Kemp	FICC Markets Standards Board
Jamie Black	Financial Conduct Authority
Edwin Schooling Latter (<i>Guest speaker</i>)	Financial Conduct Authority
Kayhan Mirza	Goldman Sachs
Frederic Boillereau	HSBC
Richard Pursell	Insight Investment
Stephen Grady	Legal & General Investment Management
Lisa Scott-Smith	Millennium Global Investments
Kurt Vom Scheidt	Saxo Bank
Frances Hinden	Shell
Pamela Gachara (<i>Alternate</i>)	The Investment Association
Neill Penney (<i>Alternate</i>)	Thomson Reuters
Simon Helm (<i>Guest representative</i>)	Tullett Prebon
Chris Purves (<i>Guest representative</i>)	UBS
David Clark	Wholesale Markets Brokers' Association
Zar Amrolia	XTX Markets
Isabelle Dennigan	RBC <i>Chair Operations Sub Committee</i>
Emma Rickett (<i>Guest representative</i>)	JP Morgan <i>Legal Sub-Committee</i>

<i>Chris Salmon</i>	<i>Bank of England (Chair)</i>
<i>Grigoria Christodoulou</i>	<i>Bank of England (Secretariat)</i>
<i>Lisa Gupta</i>	<i>Bank of England (Secretariat)</i>
<i>Jonathan Keane</i>	<i>Bank of England (Legal)</i>
<i>Jan Lasik</i>	<i>Bank of England (Legal)</i>
<i>Elizabeth Darkens</i>	<i>Bank of England</i>
<i>David Edmunds</i>	<i>Bank of England</i>
<i>Rebecca Jackson</i>	<i>Bank of England</i>
<i>James O'Connor</i>	<i>Bank of England</i>

Apologies

Russell Lascala	Deutsche
Gil Mandelzis	EBS BrokerTec
James Harvey	Rolls-Royce
Galina Dimitrova	The Investment Association
Phil Weisberg	Thomson Reuters
James Potter	Tullett Prebon
George Athanasopoulos	UBS
Chris Allen	Barclays <i>Chair Legal Sub-Committee</i>

1. Welcome

The Chair welcomed all attendees, in particular those attending their first meeting.

2. Global FX Code – Feedback on Fatal Flaw draft

The Chair thanked all attendees for their ongoing commitment and contribution to the development of the Global FX Code (the ‘Code’). The Chair reminded attendees that the aim of the meeting was to approve the fatal flaw feedback the FXJSC would submit to the BIS FX Working Group (FXWG) on the draft sections of the Code that were circulated in mid-April ahead of the interim publication in May 2016.

The Chair invited a representative from each of the four working groups to provide their group’s fatal flaw comments for discussion. The sections of the Code discussed covered Confirmation and Settlement (*Isabelle Dennigan, Operations Sub-committee Chair*), the Foreword (*David Clark, Wholesale Markets’ Brokers Association*), Ethics and Information Sharing (*Emma Rickett, Legal Sub-committee Guest Representative*) and Execution (*Zar Amrolia, XTX Markets*). Attendees discussed and agreed the fatal flaw comments which the Bank would submit to the FXWG as requested.

3. FCA Presentation

Edwin Schooling Latter (*Financial Conduct Authority – “FCA”*) noted that currently in the EU, and hence the UK, MiFID applies to all FX derivative transactions as well as those FX spot transactions that are ancillary to transactions in MiFID financial instruments. Therefore, these transactions were within the scope of MiFID and in particular the rules on best execution. This was also true when the firm was dealing as

a principal, including where dealing with a “professional counterparty”, where the counterparty was placing “legitimate reliance” on the firm.

In relation to other FX spot transactions, the FCA considered that the obligations arising would vary according to the nature of the relationship between market participants. As a matter of practice, three broad types of role could be described: (i) Agent - acting on behalf of a client and thus executing transactions in line with their mandate, with a responsibility to use the firm’s efforts to secure an optimal outcome for the client – here “best execution” was an appropriate benchmark, even if, for transactions not within the scope of MiFID, there was not a MiFID best execution requirement, (ii) Principal - acting on one’s own behalf providing two-way quotes to clients with no obligation to execute the order until both parties are in agreement, where the client has the flexibility to seek other quotes and the Principal has no best execution requirements and; (iii) Principal with some discretion - where the client could be considered to have placed some legitimate reliance on the Principal and thus the Principal has corresponding obligations to try and achieve an optimal outcome for the client, for example as may be the case when managing stop-loss orders.

4. Global FX Code – Next Steps

The Chair updated attendees on the upcoming milestones ahead of the interim publication in May 2016. In particular, the Chair informed attendees that the interim release of the Code would be signed off on 25 May at the annual Global Foreign Exchange Committees meeting and published shortly thereafter alongside an interim update on the adherence approach for the Code. The Chair announced that Stephen Grady (*Legal and General Investment Management*) would be attending the Global

Foreign Exchange Committees meeting as the FXJSC's market participant representative.