

Minutes

Foreign Exchange Joint Standing Committee

22 November 2017

Location: Bank of England, Threadneedle Street, London, EC2R 8AH

Attendees: **Association of Corporate Treasurers:** Sarah Boyce

Bank of China: Wang Yan

Bank of Tokyo-Mitsubishi UFJ: Tetsuro Kono

Barclays: James Hassett

BNP Paribas: Adrian Boehler

Deutsche Bank: Russell Lascale

FICC Markets Standards Board: James Kemp

Financial Conduct Authority: Alan Barnes

Goldman Sachs: Kayhan Mirza

Insight Investment: Richard Pursell

Saxo Bank: Kurt Vom Scheidt

Shell: Frances Hinden

The Investment Association: Galina Dimitrova

Thomson Reuters: Neill Penney

Tullett Prebon: James Potter

UBS: George Athanasopoulos

Wholesale Markets Brokers' Association: David Clark

XTX Markets: Zar Amrolia

RBC: Isabelle Dennigan (Chair, Operations Sub-committee)

Goldman Sachs: Dan Parker (Chair, Legal Sub-committee)

Bank of England: Chris Salmon (Chair), Rohan Churm, Leone Razali (Secretariat), Tom Lynch (Secretariat), Charlotte Pope-Williams, James O'Connor, Jonathan Grant, Phil Evans

Apologies: **CLS:** David Puth

HSBC: Frederic Boillereau

Millennium Global Investments: Lisa Scott-Smith

UK Finance: Ronald Kent

Minute no.	Minute	Action owner and due date
1.	<p>Welcome and apologies Apologies were received from David Puth, Frederic Boillereau, Lisa Scott-Smith and Ronald Kent. The Chair welcomed guest speaker Phil Evans (Bank of England).</p> <p>The Chair welcomed Rohan Churm (Bank of England) and informed attendees that Rohan Churm has now replaced Rebecca Jackson (Bank of England) on the committee.</p>	
2.	<p>EU Withdrawal Phil Evans provided attendees with an overview of the role of the Bank of England in regards to the EU Withdrawal process noting three distinct focal points: Nationalising the EU Acquis; Financial Stability; and considering cross-cutting issues as part of the Financial Stability Report.</p> <p>Global Market fragmentation by jurisdiction or currency in the context of central clearing was noted as a key concern for the Bank of England. The group discussed this point and noted they are not seeing any signs of fragmentation in FX Markets and do not anticipate seeing much until further plans are released. The implementation of Markets in Financial Instruments Directive (MiFID II) and news about future regulatory relationships both had the potential to impact market structure.</p>	
3.	<p>Minutes of 20 September 2017 meeting and matters arising The minutes of the September 2017 meeting were agreed.</p>	
4.	<p>Update from the Global Foreign Exchange Committee (GFXC) The Chair gave an update from the Global Foreign Exchange Committee (GFXC) meeting held on 14 November 2017.</p> <p>The GFXC concluded that the wording of Principle 17 of the FX Global Code (Code) should indicate that market participants should not undertake trading activity that utilises the information from the Client's trade request during the last look window. The Committee also agreed to consider potential ways to include guidance around good market practice for "cover and deal" arrangements and pricing as it relates to last look.</p> <p>The wording previously circulated to the FXJSC for Principle 17 will be amended slightly based on discussion at the GFXC meeting and will be circulated to the FXJSC for confirmation on 1 December.</p>	
5.	<p>Market Developments Kurt Vom Scheidt (Saxo Bank) provided attendees with an overview of the Retail FX Market. The presentation highlighted the growth and scale of the Retail FX segment and its relevance to the wholesale market, the evolution of Market Structure and the impacts on Retail FX clients. The presentation noted differences across the segment with regard to retail leverage limits and in the order handling process.</p> <p>The group discussed the points raised in the presentation considering the impact on the Wholesale FX Market and whether future iterations of the Code could give further guidance to the Retail FX Market.</p>	
6.	<p>Financial Conduct Authority Update Alan Barnes (Financial Conduct Authority (FCA)) provided an update on the approach to FX Forwards under MiFID II and highlighted that from January 2018 the EU Benchmark Regulation could potentially apply to varying degrees to a wide number of FX indices as benchmarks depending on</p>	

whether they are categorised as critical, significant, or non-significant benchmarks.

The FCA is aware of the ongoing debate in the market about European Market Infrastructure Regulation (EMIR) margin requirements on physically settled FX forwards but does not currently have any comment on the matter

7. **Update from Operations Sub-Committee**

Isabelle Dennigan (RBC and Chair of Operations Sub-Committee) provided an overview of the Operations Sub-Committee's work. The Operations Sub-Committee met on 13 November and agenda items included a presentation from the RTGS Renewal Project Team, an update regarding CLS initiatives, and a discussion regarding Business Resiliency and the January 2015 'Blackbox' exercise.

FXJSC
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It was agreed that a paper proposing to establish a governance process for the 'Blackbox' exercise, and the level of involvement of the Sub-Committee in maintaining the FX Resiliency Playbook was to be circulated to the Main-FXJSC post meeting. Members were asked to read the paper and express any objections to the proposals by Wednesday 29 November 2017. There will be an assumption that the FXJSC supports the proposals in the paper if no objections are received.

8. **Update from Legal Sub-Committee**

Dan Parker (Goldman Sachs and Chair of Legal Sub-Committee) provided an overview of the Legal Sub-Committee's work. The Legal Sub-Committee met on 2 November and received two presentations: one a regulatory update including MiFID II and EMIR; and the second a EU Benchmark Regulation presentation from the FCA.

The Legal Sub-Committee is also reviewing the FXJSC competition guidelines. The guidelines have now been reviewed by a third party and are due to be finalised at the next Legal Sub-Committee meeting (quarter one, 2018).

9. **Post-trade transparency**

James O'Connor (Bank of England) shared his thoughts on Post-trade transparency with a view to gauge the group's appetite to discuss in more detail next year.

The group discussed various aspects of Post-trade transparency including the increasing demand of data, the accessibility of data tools, consolidated tape, distributed ledger technology and disclosures. The Chair concluded that some of the topics discussed were covered by the Code, some fall outside of the scope of the FXJSC, and members should consider what the FXJSC could take forward next year and consult the FXJSC Secretariat bilaterally.

10. **Any other business**

The next meeting of the FXJSC will be held on 6 February 2018 at the Bank of England.