

Minutes

FOREIGN EXCHANGE JOINT STANDING COMMITTEE OPERATIONS SUB-COMMITTEE

13 November 2017

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

Attendees: **Association of Foreign Banks:** Nigel Brigden

Bank of Tokyo Mitsubishi: Kerry Peacock

Bank of New York Mellon: Jon Goddard

Citigroup: Daniel Horgan

CLS: John Hagon, Adam Levine (Guest Speaker)

Deutsche Bank: Darran Olive

Financial Conduct Authority: Monica Rodriguez-Sanchez

Goldman Sachs: John Blythe (Deputy Chair)

HSBC: Trevor Evans (Deputy Chair)

Insight Investment: Gavin Platman

Investment Association: David Broadway

RBC: Isabelle Dennigan (Chair)

Societe Generale: Will Deighton

SWIFT: Joe Halberstadt

UBS: Colin Parry

UK Finance: Andrew Rogan

Bank of England: James Manchester (Secretariat), Charlotte Pope-Williams (Legal Secretariat), John Jackson (Guest Speaker), Sara Ward (Guest Speaker), Sharon Wallis (Guest Speaker)

Apologies: **Bank of England:** Jennifer Ashton

Barclays: Duncan Lord

JPMorgan Chase: Phil Glackin

Record Currency Management: Joel Sleigh

Minute no.	Minute	Action owner and due date
1.	<p>Welcome and apologies for absence (<i>Chair – Isabelle Dennigan, RBC</i>)</p> <p>Apologies were received from Jennifer Ashton (Bank of England), Duncan Lord (Barclays), Phil Glackin (JP Morgan Chase), and Joel Sleight (Record Currency Management).</p> <p>The Chair welcomed Colin Parry (UBS) and Charlotte Pope-Williams (Bank of England) to the Sub-committee, and welcomed guest speaker Adam Levine (CLS).</p> <p>The Chair informed attendees that Nigel Brigden (AFB) and Trevor Evans (HSBC) will be stepping down from the Sub-committee, and thanked them both for their contributions. The Chair welcomed members to submit nominations if they were interested in taking over the role of Deputy Chair.</p>	
2.	<p>Minutes of 12 September meeting and matters arising (<i>Chair – Isabelle Dennigan, RBC</i>)</p> <p>The minutes of the September 2017 meeting were agreed.</p>	
3.	<p>CLS strategic update (<i>John Hagon & Adam Levine, CLS</i>)</p> <p>John Hagon and Adam Levine presented an update on CLS initiatives, and members discussed the benefits of standardised, automated bilateral netting and same-day gross payment-versus-payment settlement services. It was noted that there could be benefits to FX market participants through capital and liquidity savings, risk mitigation and operational efficiencies.</p>	
4.	<p>RTGS Renewal Project Team (<i>John Jackson & Sara Ward, Bank of England</i>)</p> <p>Sara Ward and John Jackson (Bank of England) provided an update on the RTGS Renewal Programme. It was noted that the Blueprint of the RTGS service was published in May 17, which set out its five key features. Other key announcements included the Bank's commitment to extend RTGS access to non-bank payment service providers, and the Bank's direct delivery of the UK's high value payment system which had previously been provided by CHAPS.</p> <p>Sara Ward discussed the programme's priorities over the next six months, and their engagement with external stakeholders. John Jackson also provided an update on the Bank's commitment to implementing ISO20022 messaging in the renewed RTGS service, and their analysis on the potential to introduce cross-border and cross-ledger synchronisation of payments at a</p>	

later stage.

5. **SWIFT industry update** (*Joe Halberstadt, SWIFT*)

Joe Halberstadt (SWIFT) provided an industry update, outlining the Standard Releases due to go-live soon and the other Standard Releases in the pipeline for 2018 and 2019, as well as touching on the regulatory impacts of MIFID II client reporting. Members also discussed ways to mitigate outstanding FX settlement risk.

6. **Business Resiliency** (*Sharon Wallis, Bank of England*)

Sharon Wallis (Bank of England) provided an overview of the work of the Sector Resilience Team, outlining their industry engagement, the sector response framework, and sector exercising programme.

Sharon Wallis highlighted the 'Blackbox' exercise that was undertaken in January 2015, and the Sub-committee's role in producing a FX Resiliency Playbook and the FX Infrastructure Dependency Report.

It was noted that a proposal will be taken to the FXJSC Main Committee to establish a governance process, and the level of involvement of the Sub-committee in maintaining the FX Resiliency Playbook. Members agreed it would be beneficial for the Sub-committee to review the deliverables periodically, subject to approval of the governance process by the Main Committee.

7. **Regulatory update** (*Monica Rodriguez-Sanchez, FCA*)

Monica Rodriguez-Sanchez (FCA) noted that the FCA has recently published a Consultation Paper on Industry Codes of Conduct and Discussion Paper on FCA Principle 5. The deadline for responses is 5 February 2018. The FXJSC Secretariat agreed to circulate the link of the consultation paper to the Sub-committee members.

It was agreed that following the MIFID II discussion at the previous meeting, the Secretariat would circulate further material to members produced by the FCA.

8. **Education and Outreach**

a. Investment Association update (*David Broadway, IA*)

David Broadway (Investment Association) provided an update on some of the main operational matters, in particular discussing the margin requirements for FX transactions under EMIR that are due to take effect on 3 January 2018, and the news that regulators were planning to remove the requirement

ACT FXJSC Secretariat –
to circulate
MIFID II
material to
members.

specific to physically settled FX forwards.

b. UK Finance update (*Andrew Rogan, UK Finance*)

Andrew Rogan (UK Finance) provided an update on some of the key political and regulatory developments around Brexit. It was noted that UK Finance were considering possible arrangements for data flows between jurisdictions, and supervisory models between the UK and EU authorities to preserve financial stability.

c. Association of Foreign Banks update (*Nigel Brigden, AFB*)

Nigel Brigden (Association of Foreign Banks) provided an update on some of the main AFB matters. This included Brexit monitoring and member banks' accessibility to TARGET2, developments of distributed ledger technology in trade finance, and members' preparedness for the General Data Protection Regulation that will be implemented in Q2 2018.

d. GFXD update (*Will Deighton, Societe Generale*)

Will Deighton (Societe Generale) provided an update on the most recent GFXD meeting, noting topics of discussion included: firms' approaches to MIFID II requirements, and the upcoming SWIFT Standard Releases.

e. ECB OMG update (*Will Deighton, Societe Generale*)

Will Deighton provided an update of the most recent ECB Operations Managers Group meeting, noting topics of discussion included: a review of EMIR, payment protocols and third party payments.

9.

Any other business (*Chair – Isabelle Dennigan, RBC*)

The Secretariat noted that the annual contingency call test will be taking place at some point before the next FXJSC Operations Sub-committee meeting.

The Chair welcomed feedback from members on the presentations delivered at today's meeting.

The next meeting of the FXJSC Operations Sub-committee is scheduled to be held on 26 January 2018.