

Minutes

Foreign Exchange Joint Standing Committee

6 February 2018

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

BNP Paribas: Adrian Boehler

Deutsche Bank: Russell Lascala

European Venues and Intermediaries Association: David Clark

FICC Markets Standards Board: James Kemp

Financial Conduct Authority: Alan Barnes, Anne Mainwaring

HSBC: Frederic Boillereau

Insight Investment: Richard Pursell

JP Morgan: Stephen Jefferies

Millennium Global Investments: Lisa Scott-Smith

Saxo Bank: Kurt Vom Scheidt

The Investment Association: Galina Dimitrova

Thomson Reuters: Neill Penney

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, Jonathan Grant, Charlotte Pope-Williams, James O'Connor, Gavin Wallis (Secretariat), Tom Lynch (Secretariat)

Apologies: **Barclays:** James Hassett

Citigroup: Itay Tuchman

CLS: David Puth

Goldman Sachs: Kayhan Mirza

Shell: Frances Hinden

Minute no.	Minute	Action owner and due date
1.	<p>Welcome and apologies</p> <p>Apologies were received from James Hassett, Itay Tuchman, David Puth, Kayhan Mirza and Frances Hinden. The Chair welcomed guest speaker Anne Mainwaring (Financial Conduct Authority) and new member Stephen Jefferies (JP Morgan).</p> <p>The Chair welcomed Gavin Wallis (Bank of England) and informed attendees that Gavin Wallis has joined the committee as part of the Secretariat.</p>	
2.	<p>FXJSC Competition Guidelines update</p> <p>Jonathan Grant (FXJSC Legal Sub-committee) noted that the Legal Sub-committee have updated the FXJSC Competition Guidelines to ensure they reflected recent market and regulatory developments, and that they remained as clear and helpful as possible. Members were urged to familiarise themselves with the competition guidelines and share them with other staff in their organisation involved in FXJSC work. The FXJSC competition guidelines will be published on the FXJSC website on 7 February 2018.</p>	<p>FXJSC Secretariat 07.02.2018</p>
3.	<p>MiFID II implementation update</p> <p>Anne Mainwaring from the Financial Conduct Authority (FCA) attended the meeting as a guest speaker and provided an update on the Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (together known as MiFID II). The update included an overview of the FCA's initial observations since MiFID II went live on 3 January 2018.</p> <p>Overall the FCA is pleased with how the initial implementation of MiFID II has gone, noting that this occurred with no evidence of market disruption or significant operational issues.</p> <p>One area where the FCA is aware of common issues is in relation to trade reporting and is planning an industry roundtable to further understand and address certain concerns raised.</p>	
4.	<p>Minutes of 10 November 2017 and 22 November 2017 meetings</p> <p>The minutes of the 10 November 2017 and 22 November 2017 meetings were agreed. There were no matters arising.</p>	
5.	<p>FXJSC membership review</p> <p>The Chair noted that the membership of the committee has been reviewed to ensure that it continues to be representative of the UK wholesale FX market. As part of the review process four¹ members have rotated off the committee. This rotation is not based on quality of contributions, importance of the institution to the FX market or the institution's commitment to the FX Global Code. It is to allow others the chance to participate and members will continue to rotate on a more regular basis going forward. The Chair thanked the four members for agreeing to rotate off the committee this time and for all their contributions over the years.</p> <p>The Chair also noted that this would be the last meeting for Lisa Scott-Smith who is leaving Millennium Global. The Chair thanked her for all her contributions to the FXJSC and the Global Foreign Exchange Committee (GFXC). Two new members, Stephen Jefferies (JP Morgan) and Itay Tuchman (Citigroup), have joined as part of the membership review and there may now be more changes due to Lisa Scott-Smith's departure.</p>	

¹ George Athanasopoulos (UBS), James Potter (Tullett Prebon), Ronald Kent (UK Finance) and James Harvey (Rolls Royce).

6. **Market Developments**

Wang Yang (Bank of China) provided attendees with an update on offshore Renminbi (RMB) market developments. The presentation included a review of FX reform in the RMB FX regime, insight into the evolution of the People's Bank of China's policy tools, an update on RMB internationalisation progress and outlined the latest developments regarding international investors in the RMB market.

7. **FXJSC Turnover Survey Results**

James O'Connor (Bank of England) shared a summary of the October 2017 FXJSC Turnover Survey results. The average daily reported UK foreign exchange turnover was \$2,380 billion per day in October 2017, 1% lower than April 2017, and 9% higher than a year earlier. FX spot turnover decreased 4% over the past 6 months to \$694 billion per day, largely in line with spot turnover recorded the previous year. In contrast, FX swaps were up marginally on April 2017, increasing 2% to stand at \$1,183 billion per day.

8. **FCA Update**

Alan Barnes (FCA) updated the group on the ESMA's call for evidence on potential product intervention measures relating to the provision of contracts for differences, including rolling spot forex, and binary options to retail investors. The submission period for responses closed on 5 February 2018.

The FCA has approved New Change FX as a benchmark administrator under EU Benchmark Regulation.

He also drew the committee's attention to Andrew Bailey's (Chief Executive of the FCA) recent public speech² at the Future of the City dinner that had highlighted a range of operational issues arising from the UK's withdrawal from the EU which could create financial stability risks and issues.

9. **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 26 January and agenda items included a presentation from the National Cyber Security Centre, an update from the Bank of England regarding Operational Resiliency including the Playbook and cyber security, and a discussion regarding the Operations Sub-committee's priorities for 2018. It was agreed the Operations Sub-committee will be looking to: invite some Corporate Market Participants to present at future meetings to further understand their FX operations; discuss operational implications of the UK's withdrawal from the EU; understand how new technologies such as Distributed Ledger Technology may be adopted in the FX market; and continue to engage with the Bank of England in regards to the Real Time Gross Settlement project.

10. **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 25 January and received three presentations: one a regulatory update regarding MiFID II; the second a FX Global Code update including an overview of the revisions to Principle 17 of the FX Global Code; and finally a presentation from the FCA team working on Consultation Paper CP17/37 (Consultation on Industry Codes of Conduct and Discussion Paper on FCA Principle 5).

The Legal Sub-committee also signed off the FXJSC competition guidelines at the meeting.

² <https://www.fca.org.uk/news/speeches/future-city>

11.

A.O.B

The Chair informed the committee that the FXJSC Secretariat is considering how to effectively incorporate the various technology based subjects included on the forward agenda for 2018 into future meetings.

The Chair thanked members for participating in the contingency call test held in January. The purpose of the test is to confirm FXJSC members are contactable and able to dial into a conference call as a contingency arrangement to a meeting and in the event of an emergency. The response rate was excellent (82% up from 71% last year).

A private sector FXJSC member will be asked to represent the FXJSC at future GFXC meetings as Lisa Scott-Smith has now stepped down from the committee.

12.

The next meeting of the FXJSC will be 3 May 2018.