

# Minutes

## Foreign Exchange Joint Standing Committee

3 May 2018

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

Attendees: **Bank of China:** Wang Yan

**Barclays:** James Hassett

**Citigroup:** Itay Tuchman

**CLS:** David Puth

**Deutsche Bank:** Russell Lascala

**European Venues and Intermediaries Association:** David Clark

**FICC Markets Standards Board:** James Kemp

**Financial Conduct Authority:** Alan Barnes

**Goldman Sachs:** Kayhan Mirza

**Insight Investment:** Richard Pursell

**JP Morgan:** Stephen Jefferies

**LCH Clearnet:** Paddy Boyle (Guest Speaker)

**MUFG Bank:** Tetsuro Kono

**Saxo Bank:** Kurt Vom Scheidt

**Schroders:** Robbie Boukhoufane

**Shell:** Frances Hinden

**The Investment Association:** Galina Dimitrova, Pamela Gachara (Guest Speaker)

**Thomson Reuters:** Neill Penney

**XTX Markets:** Zar Amrolia

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

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

**Bank of England:** Rohan Churm (Chair), Jonathan Grant, Charlotte Pope-Williams, James O'Connor, Gavin Wallis (Secretariat), Tom Lynch (Secretariat)

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

**BNP Paribas:** Adrian Boehler

**Deutsche Bank:** Russell Lascala

**HSBC:** Frederic Boillereau

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Minute no.	Minute	Action owner and due date
1.	<p><b>Welcome and apologies</b> Rohan Churm (Chair) informed members that Chris Salmon (former FXJSC Chair) will be succeeded as the Bank of England's Executive Director for Markets by Andrew Hauser. Rohan will be acting Chair until after Andrew officially starts his new role.</p> <p>Apologies were received from Sarah Boyce, Adrian Boehler, Frederic Boillereau and Russell Lascala. The Chair welcomed guest speakers Paddy Boyle (LCH Clearnet) and Pamela Gachara (The Investment Association). The Chair also welcomed new members Robbie Boukhoufane (Schroders) and Itay Tuchman (Citigroup).</p>	
2.	<p><b>Future of centrally cleared FX</b> Paddy Boyle (LCH) gave a presentation on FX clearing including a brief overview of how FX clearing works, the benefits of clearing FX trades, the current FX products using clearing and what FX products may use clearing in the future.</p> <p>The introduction of Uncleared Margin Rules from 2016<sup>1</sup> was credited with causing a large increase in Non-Deliverable Forwards (NDFs) now clearing and Mr Boyle believes there is scope for significant further growth. Going forward, along with NDFs, Mr Boyle believes we may see growth in other FX products using clearing such as G10 FX Options, Non Deliverable Options and, potentially, some FX Swaps / Forwards.</p>	
3.	<p><b>Market Developments: Buy-side industry FX priorities</b> Galina Dimitrova and Pamela Gachara (The Investment Association (IA)) provided attendees with an overview of the IA, its members and the work they have undertaken on the FX Global Code (Code), including a Position Paper on Last Look.</p> <p>The presentation then outlined the IA's forward agenda and key priorities. These included: promotion of the Code; increased use of FX algorithms by asset managers; improved provision of reject codes, looking to improve the provision of timestamps; increased venue transparency; and providing regulatory clarity to their members. The key priority for the IA in Capital Markets that was highlighted is to ensure that investors have access to fair and effective markets and to facilitate and support the efficient functioning of markets across a range of diverse asset classes, including Equity, Fixed Income, FX, Sustainable Investment and Infrastructure.</p>	
4.	<p><b>Minutes of 6 February 2018 meeting</b> The minutes of the 6 February 2018 meeting were agreed. There were no matters arising.</p>	
5.	<p><b>GFXC and FX Global Code implementation one year on</b> Gavin Wallis (Bank of England) provided attendees with an update on Code adoption and the work of the Global Foreign Exchange Committee (GFXC).</p> <p>Adoption of the Code is considered to be progressing well, with over 150 Market Participants having already made a Statement of Commitment to the Code less than one year after its launch. The majority of these statements can be found on the eight public registers that have similarly launched since the release of the Code. The GFXC will launch a Global Index of Registers, which will act as a central location that links the participating public registers, providing a more comprehensive view of Market Participants' commitment to</p>	

<sup>1</sup> Under EMIR in the EU and pursuant to CFTC rules in the US.

the Code, before end-May 2018.

Feedback received from FXJSC members suggested further work needs to be done to encourage greater sign up to the Code from 'buy-side' Market Participants

David Puth (CLS) will finish his one year term as Vice Chair of the GFXC this month. Simon Potter (acting Chair of the GFXC) and Mr Puth are currently leading the process to appoint a new Vice Chair and the new appointment is expected to be confirmed at the next GFXC meeting on 27 June 2018, in South Africa. It is also expected that the next Chair of the GFXC will be confirmed at this meeting.

Neill Penney (Thomson Reuters) has agreed to represent the FXJSC at future GFXC meetings as Lisa Scott-Smith has now stepped down from the Committee.

The GFXC has formed four working groups to: investigate the role 'cover and deal' trading models play in the FX market, undertake further work on disclosures, include examples within Annex 1 of the Code to outline inappropriate pre-hedging, and improve awareness and adoption of the Code. Progress on each of the working groups and future actions will be discussed at the next GFXC meeting.

#### 6. **Market liquidity and potential threats**

James Hassett (Barclays) shared his thoughts on FX Market liquidity starting with an overview of some high profile events where price disruptions were observed and the new themes that have emerged as a consequence.

Analysis on the number of disruptive events and the historical values of trade price variability over the last five years was presented to the group. This analysis was the basis for a discussion regarding the current view of FX Market liquidity and the market's ability to cope with disruption risk in the future.

#### 7. **FCA Update**

Alan Barnes (Financial Conduct Authority (FCA)) gave a regulatory update to the group noting The European Securities and Markets Authority (ESMA) has agreed to use its temporary product intervention powers to ban and restrict the marketing, distribution and sale to retail clients of binary options and contracts for difference respectively. The product intervention measures have an initial duration of up to three months, after which the measures may be renewed. The FCA supports ESMA's intervention and expects to consult domestically on whether to apply these measures on a permanent basis.

#### 8. **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 23 April and agenda items included a presentation from the Global Financial Markets Association on the work of the Global FX Division and Société Générale gave an overview of their OTC Derivatives operations functions, global footprint and evolution of the support model over time.

The Operations Sub-committee is looking to facilitate a discussion on the operational implications of the UK's withdrawal from the EU. A paper of initial considerations was discussed. The list will now be finalised and used as the base for a discussion at an extraordinary meeting to be held in June 2018.

9. **Update from Legal Sub-Committee [written update delivered post meeting]**

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 two presentations: one from the FICC Markets Standards Board (FMSB) on the current and planned work of the FMSB; and the second from the Bank of England's EU Withdrawal Unit on the work of the Bank, working with Government and regulators, to prepare for EU withdrawal. The Legal Sub-committee also held a group discussion on progress in making statements of commitment to the Code.
  
10. **A.O.B**

The Chair informed the committee that the FXJSC Annual Quarterly Bulletin Article will no longer be produced by the FXJSC Secretariat. The decision was made due to the increased transparency of FXJSC. Full membership information and work of the FXJSC (Main Committee, Operations Sub-committee and Legal Sub-committee) is now available to the public via the minutes and membership lists on the Bank of England website. There were no objections to this decision.

The FXJSC Secretariat has considered how to effectively incorporate the various technology based subjects included on the forward agenda into future meetings. The next FXJSC meeting will a 'technology themed' event to cover these subjects as there will be some inevitable overlap.
  
11. **The next meeting of the FXJSC will be 13 September 2018.**