

Minutes

FOREIGN EXCHANGE JOINT STANDING COMMITTEE OPERATIONS SUB-COMMITTEE

26 January 2018

Location: Prudential Regulation Authority, Moorgate, EC2R 6DA

Attendees: **Bank of Tokyo Mitsubishi:** Kerry Peacock

Citigroup: Daniel Horgan

CLS: Andrew Cooper (Alternate)

Deutsche Bank: Adam Jukes (Alternate)

Financial Conduct Authority: Stephen Hanks (Guest Speaker)

Insight Investment: Gavin Platman

Investment Association: David Broadway

JPMorgan Chase: Phil Glackin

NCSC: Virginia (Guest Speaker), Josh (Guest Speaker)

RBC: Isabelle Dennigan (Chair)

Record Currency Management: Joel Sleigh

Societe Generale: Will Deighton

UBS: Colin Parry

UK Finance: Andrew Rogan

Bank of England: James Manchester (Secretariat), Tom Lynch (Secretariat), Charlotte Pope-Williams (Legal Secretariat), Sharon Wallis (Guest Speaker)

Apologies: **Bank of England:** Jonathan Grant, Jennifer Ashton

Bank of New York Mellon: Jon Goddard

Barclays: Duncan Lord

CLS: John Hagon

FCA: Monica Rodriguez-Sanchez

Goldman Sachs: John Blythe

SWIFT: Joe Halberstadt

Minute no.	Minute	Action owner and due date
1.	Welcome and apologies for absence (Chair – Isabelle Dennigan, RBC) Apologies were received from Jonathan Grant, Jennifer Ashton (Bank of England), Jon Goddard (Bank of New York Mellon), Duncan Lord (Barclays), John Hagon (CLS), Monica Rodriguez-Sanchez (FCA), John Blythe (Goldman Sachs) and Joe Halberstadt (SWIFT). The Chair welcomed Andrew Cooper (CLS) and Adam Jukes (Deutsche Bank) representing as alternates, and welcomed guest speakers from the National Cyber Security Centre (NCSC). The Chair informed attendees that Darran Olive (Deutsche Bank) and Monica Rodriguez-Sanchez (FCA) will be stepping down from the Sub-committee going forward. The Chair also informed members that Will Deighton (Societe Generale) will be taking over the role as co-deputy Chair of the Sub-committee going forward, and will be joining the Sub-committee's membership panel. Jon Goddard will also be joining the membership panel in place of Duncan Lord (Barclays).	
2.	Minutes of 13 November meeting and matters arising (Chair – Isabelle Dennigan, RBC) The minutes of the 13 November 2017 meeting were agreed.	
3.	Competition guidelines reminder (Charlotte Pope-Williams, Bank of England) Charlotte Pope-Williams (Bank of England) reminded members of the competition guidelines and that the purpose of the FXJSC was to serve as a forum for discussing issues of common concern to market participants and infrastructure providers operating in the UK's FX market. Charlotte Pope-Williams stated that members should not share any commercially sensitive information.	
4.	Guest presentation from NCSC (National Cyber Security Centre) Virginia and Josh (NCSC) presented an overview of the NCSC, including its vision, structure, and categorisation of incidents. Members discussed the threats from cyber agents to financial services. It was noted that while the finance sector is ahead of other sectors in the collective state of cyber defence there are still some observed vulnerabilities. To mitigate the impact of cyber incidents, there is the Authorities' Response	

Framework which provides guidance on how the Financial Authorities can respond and manage cyber incidents. Furthermore, it was noted that there are other sector engagement forums and working group initiatives, which produce guidance on addressing specific threats and sharing best practices.

5. **2018 Committee work priorities** (*Chair – Isabelle Dennigan, RBC*)

Members discussed the Sub-committee priorities for 2018 and potential presentation topics. The themes of operational resiliency and impacts of distributed ledger technology to the FX market were discussed as being priorities. This could encapsulate the Sub-committee's work on the FX Resiliency playbook, and education-based presentations in the pipeline similar to the presentations delivered by the NCSC and PRA's Sector Resilience Team. Lastly, it was noted that members should look to have appropriate discussions to prepare ahead of the UK's withdrawal from the EU.

6. **MIFID II – post implementation discussion** (*Stephen Hanks, FCA*)

Stephen Hanks (FCA) noted that the second Markets in Financial Instruments Directive and new Markets in Financial Instruments Regulations (together known as 'MIFID II') came into force on 3 January 2018, and provided a general update since its go live. Attendees discussed matters relating to transaction reporting requirements, and how elements of MIFID II – for example liquidity thresholds and exchange of information – could be impacted by the UK's withdrawal from the EU.

7. **Operational Resiliency** (*Sharon Wallis, Bank of England*)

Sharon Wallis (Bank of England) delivered a presentation on operational and cyber resilience. As the Financial Stability Authority, Sharon explained the Bank's role in cyber, and interaction with the FCA and PRA, to assess and improve cyber resilience within the UK financial system. Members discussed areas of focus for cyber resilience including strategic executive leadership and technological investment. It was noted that the National Institute of Standards and Technology (NIST) provides a de facto list of areas for firms to strengthen their cyber resilience.

Sharon also outlined an industry guide on the options for responding to major operational disruption, including a Voluntary Interbank Sterling Settlement Postponement (VISSP) – and welcomed members to provide any feedback after the meeting.

8. **Education and Outreach**

ACT FXJSC Secretariat –
to circulate the VISSP industry guide and presentation to FXJSC members.

ACT all – to
review and provide feedback of the VISSP industry guide.

ACT FXJSC

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

David Broadway (Investment Association) provided an update on the IA's current focuses, and reported on some of the IA members' experiences in regard to implementing MiFID II. Specific to FX, it was noted that the IA had recently published a position paper on the practice of Last Look, and were looking to organise a member event to promote the FX Global Code in May 2018.

Secretariat –
to circulate IA
Last Look
position paper
to FXJSC
members.

ACT FXJSC

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

Andrew Rogan (UK Finance) provided an update on some key political and regulatory developments. It was noted that UK Finance are consulting with members to understand their experiences of the MiFID II implementation process. In regard to UK withdrawal from the EU, UK Finance are focusing on contractual certainty and how a soft or hard Brexit will affect legal EU provisions. It was also noted that UK Finance had recently published a report outlining the options for the future UK-EU data-sharing relationship.

Secretariat –
to circulate UK
Finance paper
on UK-EU
data sharing
relationship to
FXJSC
members.

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

Will Deighton noted that at the most recent GFXD meeting members had discussed the forum's priorities for the year ahead, key themes included: best practices for STP, cyber security, and a technology theme focusing on AI technology and the issues it raises. It was agreed that the Sub-committee should look to connect with the GFXD given the overlapping interests of the two forums.

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

Will Deighton noted that the key themes of the most recent ECB OMG meeting focused on: MiFID II implementation, the impacts of Brexit, and the use of smart contracts from a legal perspective.

9. **Contingency call test** (*FXJSC Secretariat, Bank of England*)

The Secretariat provided a summary of the contingency call test that took place in December 2017, noting that results had improved from the previous test. Members agreed that the use of multiple communication channels helped to alert members of contingency calls that are taking place at short notice.

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

None discussed.

The next meeting of the FXJSC Operations Sub-committee is scheduled to be held on 23 April 2018.

