

# Minutes

## Foreign Exchange Joint Standing Committee

21 November 2019

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

Committee **Alan Barnes** – *Financial Conduct Authority*

Attendees: **Andrew Hauser (Chair)** – *Bank of England*

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

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

**Frances Hinden** – *Shell*

**Giles Page** – *Citigroup*

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

**Kayhan Mirza** – *Goldman Sachs*

**Kevin Kimmel** – *Citadel Securities*

**Marcus Browning** – *Rokos Capital*

**Neill Penney** – *Refinitiv*

**Richard Bibbey** – *HSBC*

**Richard Purssell** – *Insight Investment*

**Robbie Boukhoufane** – *Schroders*

**Rohan Churm** – *Bank of England*

**Russell Lascala** – *Deutsche Bank*

**Sarah Boyce** – *Association of Corporate Treasurers*

**Sian Hurrell** – *RBC*

**Stephen Jefferies** – *JP Morgan*

**Wang Yan** – *Bank of China*

**Zar Amrolia** – *XTX Markets*

Guest **Michael Dawson** – *Shell*

Attendees: **Pete Eggleston** – *Best X*

FXJSC **David Edmunds** – *Bank of England*

Secretariat: **Grigoria Christodoulou** – *Bank of England*

**James O'Connor** – *Bank of England*

**Lauren Hustwitt** – *Bank of England*

**Paul Avanzato (Legal Secretariat)** – *Bank of England*

Apologies: **Jonathan Grant (Legal Secretariat)** – *Bank of England*

**James Kemp** – *FICC Markets Standards Board*

**Galina Dimitrova** – *The Investment Association*

Minute no.	Minute	Action owner and due date
1.	<p><b>Welcome and apologies</b> Andrew Hauser (Chair, Bank of England) noted the apologies received and welcomed new member Kevin Kimmel (Citadel Securities) and guest presenters Michael Dawson (Shell) and Pete Eggleston (Best X).</p>	
2.	<p><b>Minutes of 06 September 2019 meeting</b> The minutes of the 06 September 2019 meeting were agreed. There were no matters arising.</p>	
3.	<p><b>Trends in Liquidity and Evolving Role of Platforms</b> Pete Eggleston (Best X) presented on recent trends in FX liquidity and the evolving role of platforms. He observed that it appeared that the FX market was becoming more fragmented. The number of distinct trading venues they observed in the data (defined as electronic crossing networks (ECNs), liquidity providers' principal books and dark pools or internal matching engines) had continued to increase, reaching 67 in July 2019, up from around 47 in early 2018. At the same time, a decline in the volumes traded on primary venues and a rise in the volumes traded via bank pools and e-books (dark venues) had been observed, suggesting a change in the liquidity mix.</p> <p>Committee members also noted changes in trading styles including increased automation and use of algos; increased use of orders and direct market access; and a desire for greater control and transparency over the liquidity accessed. Mr Eggleston suggested that performance pressures in a low yield environment, regulatory requirements as well as cost and resource constraints all had contributed to these developments. Looking ahead, he argued that decreasing margins could potentially lead to a consolidation of liquidity providers. Similarly, there could also be a reversal in the expansion of algo products towards a simpler suite. He argued that a hybrid market structure, both order and quote driven, had emerged.</p> <p>Bank officials updated members on work they had also been doing to examine the fragmentation of trading venues in the spot FX market. Recent work had focused on the key drivers of fragmentation, its impact on market functioning, and future trends. Low barriers to entry for new venues, aided by falling technology costs and 'last look' which allowed liquidity to be posted on multiple venues, were identified as contributing factors to the more fragmented trading landscape. However, the lack of a central source of market data made it challenging to do a full assessment of the impact of fragmentation on market functioning. Members discussed the potential future state of the spot FX market and whether there could be further fragmentation or consolidation.</p>	
4.	<p><b>Market Developments</b> Members focused their discussion on liquidity conditions in the spot FX markets, including observations on how the conditions in sterling had been affected by uncertainty during the year. In October, some measures of spot market liquidity had been at, or near, the lows seen in March. Similarly, in options markets, levels of implied volatility for sterling had been persistently higher than other major currency pairs for much of the year, which had also constrained liquidity at times.</p>	
5.	<p><b>Managing Large Trades</b> Michael Dawson (Shell and Chair of the FICC Markets Standards Board (FMSB) Large Trades Working Group) attended the FXJSC Main Committee to provide an update on the work of the FMSB's Large Trades Working Group. Mr Dawson remarked on some of the questions being addressed by the working group, including 'execution in turn', communication requirements and pre-hedging. Mr Dawson noted final</p>	

publication of the work was expected in early 2020.

6. **Global Foreign Exchange Committee (GFXC), Disclosures and Benchmarks**
- The FXJSC Secretariat provided an overview of the agenda<sup>1</sup> for the upcoming GFXC meeting in Sydney. Key discussion topics would include the 3-year review of the FX Global Code, an update on FX benchmarks and local FX Committee updates. It was noted that Russell Lascala would attend as the private sector representative of the London FXJSC.
- Zar Amrolia (XTX Markets) provided an update on the GFXC's Disclosure and Transparency on Anonymous E-Trading platforms Working Group. Mr Amrolia noted the Working Group had discussed, amongst other items: the use of unique identifier 'tags'; the use of last look practices and pre-hedging; and policies around trade and market data. The Committee had a discussion on these points. The Working Group's report was in near- final draft stage, and would be discussed by the GFXC in Sydney.
- The FXJSC Secretariat had requested feedback from FXJSC members ahead of the meeting to understand their thoughts on how changes in the way FX benchmarks had been used since the Financial Stability Board's (FSB) FX benchmarks review in 2014<sup>2</sup> had affected market functioning. The topic was to be discussed at the Sydney GFXC meeting. The Bank summarised the feedback received. Members had noted, first, that in light of historic issues highlighting the need for changes to be made to FX benchmarks, that the IOSCO Principles, followed by the FSB's review and recommendations, had been both necessary and positive steps forward. More recently, the FX Global Code had continued this positive momentum by further promoting good practice across the entire FX market and in turn FX Benchmarks. Members did not feel the text of the Code needed to change to give further guidance in terms of FX benchmarks. Some members had indicated however that they would like to see more transparency and better disclosures about how their benchmark trades were processed, including the use of netting facilities. Members noted that sustained activity from the FX benchmark oversight committees and user groups was needed to help keep FX benchmarks in focus and ensure they kept pace with the evolution of the FX market.
7. **FXJSC Forward Agenda 2020**
- The FXJSC Secretariat summarised topics for the 2020 forward agenda put forward by members ahead of the meeting. The Committee briefly discussed the proposals and put forward additional suggestions.
- The Chair noted that a finalised forward agenda would be shared with members in due course, and would act as an indicative guide for the Secretariat when organising meetings. Final agendas might be amended closer to each meeting, so as also to reflect relevant market developments.
8. **FCA Update**
- Alan Barnes (FCA) noted that ESMA's consultation on the Market Abuse Regulation (MAR) Review<sup>3</sup>, which included questions on the merits of extending the scope of MAR to include spot FX contracts, was due to close on 29 November 2019. Mr Barnes welcomed any further views from Committee members.
- Mr Barnes noted that the FCA had published a Market Watch on firms' policies and controls related to personal account dealing<sup>4</sup>.
- ACT Secretariat –**  
to circulate the agenda for GFXC.
- ACT Secretariat –**  
to circulate the proposed FXJSC forward agenda to committee members for final comment.

<sup>1</sup> The full GFXC agenda can be found [here](#).

<sup>2</sup> Financial Stability Boards (FSB) FX Benchmarks review in 2014 can be found [here](#).

<sup>3</sup> <https://www.esma.europa.eu/press-news/esma-news/esma-consults-mar-review>

<sup>4</sup> <https://www.fca.org.uk/publication/newsletters/market-watch-62.pdf>

9. **Update from Operations Sub-committee**

Isabelle Dennigan (Operations Sub-committee Chair, RBC) noted the Operations Sub-committee was scheduled to meet on 28<sup>th</sup> November 2019. Agenda items included an update from the Global FX Division of the Global Financial Markets Association on the future of FX and 2020 priorities. The Bank of England had led a presentation on UK financial sector operational resilience. The Sub-committee continued to liaise with the Operations Managers Working Group, a sub-committee of the Federal Reserve Bank of New York's Foreign Exchange Committee, to discuss potential collaboration between the two groups.

**ACT Secretariat** – to circulate the published information on the Post-Trade Technology Market Practitioners Panel to Operations Sub-Committee Chair.

10. **Update from Legal Sub-committee**

Dan Parker (Legal Sub-committee Chair, Goldman Sachs) noted the Legal Sub-committee met on 19 November 2019. Agenda items included presentations on the FX Global Code 3-year review including the December GFXC meeting agenda and associated material, and a LCH presentation on Central Clearing Counterparties and their role in FX markets. The FCA had also provided an overview of its guidance on crypto-assets.

11. **Any other business**

The Chair noted that the annual FXJSC contingency call test would be taking place at some point before the next meeting.

**The next FXJSC meeting will be held on 2 March 2020.**