

# Minutes

## FOREIGN EXCHANGE JOINT STANDING COMMITTEE OPERATIONS SUB-COMMITTEE

28 November 2019

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

Attendees: **Barclays:** Sharon Chapman  
**Citigroup:** Daniel Horgan  
**CLS:** John Hagon  
**Deutsche Bank:** Adam Jukes  
**FCA:** Alan Barnes (Alternate)  
**Goldman Sachs:** John Blythe (Deputy Chair)  
**GFMA:** Andrew Harvey (Guest speaker)  
**HSBC:** James Kaye  
**Insight Investment:** Gavin Platman  
**JP Morgan:** Phil Glackin  
**Northern Trust:** Terri Van Praagh  
**RBC:** Isabelle Dennigan (Chair)  
**Societe Generale:** Will Deighton (Deputy Chair)  
**SWIFT:** Joe Halberstadt  
**The Investment Association:** David Broadway  
**UBS:** Steve Forrest  
**Bank of England:** James Manchester (Secretariat), Tom Lynch (Secretariat), Paul Avanzato (Legal Secretariat), Jonathan Sepanski (Guest speaker), Claire Ward (Guest speaker)

Apologies: **Bank of England:** Matt Dukelow  
**BNY Mellon:** Jon Goddard  
**FCA:** Babatunde Carew  
**MUFG Bank:** Kerry Peacock  
**UK Finance:** Andrew Rogan  
**XTX Markets:** Mike Irwin

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Minute no.	Minute	Action owner and due date
1.	<p><b>Welcome and apologies for absence</b></p> <p>Isabelle Dennigan (Chair, RBC) noted the apologies received and welcomed Sharon Chapman (Barclays) and Terri Van Praagh (Northern Trust) as new members of the FXJSC Operations Sub-committee. Paul Avanzato (Legal Secretariat, Bank of England) reminded members of the FXJSC competition guidelines.</p>	
2.	<p><b>Minutes of previous meeting and matters arising</b></p> <p>The minutes of the 5 September 2019 meeting were agreed. There were no matters arising.</p>	
3.	<p><b>Global FX Division (GFXD) – Future of FX and 2020 priorities</b></p> <p>Andrew Harvey (GFMA) presented an overview of the Global Financial Markets Association’s (GFMA) Global FX Division (GFXD) – a forum comprising of the majority of the global FX dealer market.</p> <p>In relation to post trade, the presentation highlighted both the GFXD 2019/2020 agenda as undertaken by its key global groups, as well as highlighting the relevant sections of the previous work considering the future developments within the global wholesale FX markets.</p> <p>Members discussed some of the internal and external factors driving the evolving FX landscape, some of the evolutionary and big-bang scenarios where these drivers could manifest themselves and how some of these potential changes could impact post trade.</p>	
4.	<p><b>Industry update</b></p> <p><b>i. SWIFT update</b></p> <p>Joe Halberstadt (SWIFT) updated members of the recent SWIFT Standards Release that had taken place in November 2019 and some of the lessons learnt. There was a discussion on trends in NAK’d messages observed during this period, and observations in industry adoption to these changes. SWIFT were interested to understand the cost / benefit analysis of the changes required for the SWIFT SR against the improved matching rates and lower manual interventions.</p> <p>Mr Halberstadt noted the migration of ISO20022 for MT103 and MT202 would start from November 2021, discussed some of the potential implications and timelines for firms to start their migrations. There was no plan to migrate FX messages types to ISO.</p> <p><b>ii. CLS update</b></p> <p>John Hagon (CLS) updated members on the adoption of its CLSClearedFX, CLSNow, CLSNet services, and number of new participants and currencies in the pipeline for these services. Mr Hagon also provided an update on the resolution-related war game that CLS had recently hosted, and outlined some of the key actions and lessons learnt from this exercise.</p>	
5.	<p><b>FCA regulatory update</b></p> <p>Alan Barnes (FCA) noted that ESMA’s consultation on the Market Abuse Regulation (‘MAR’) Review<sup>1</sup>, which included an item on extending the scope of MAR to include spot FX contracts, was due to close on 29 November 2019.</p>	

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<sup>1</sup> <https://www.esma.europa.eu/press-news/esma-news/esma-consults-mar-review>

Mr Barnes welcomed any further views from committee members including the challenges and changes arising from including spot FX contracts.

Mr Barnes also noted that the FCA had published a Market Watch which covered firms' policies and controls related to personal account dealing<sup>2</sup>.

## 6. **Building the UK financial sector's operational resilience**

Jonathan Sepanski and Claire Ward (Bank of England) delivered a presentation on the work by the Bank of England, PRA and FCA to develop the regulatory framework to promote the UK financial sector's operational resilience. The UK supervisory authorities' collaborative approach reflects the interconnectedness of the financial system.

In July 2018, a discussion paper (DP1/18: Building the UK financial sector's operational resilience, 'the DP') was published which sought to commence a dialogue with the financial services industry on achieving a step change in the operational resilience of firms and FMIs. The approach set out in the DP recognised that it is not possible to prevent every risk materialising, and considered how firms' and FMIs important business services might be maintained regardless of the cause of the disruption.

Members welcomed the presentation and there was a discussion around the concepts in the DP; the decisions around identifying business services, the principles to apply when setting impact tolerances, and what firms need so that they are able to remain within those impact tolerances. This would likely include mapping the resources needed for the delivery of important business services, identifying vulnerabilities, and testing firms' ability to remain within impact tolerances including in a severe but plausible scenario.

It was noted that the next steps would include consulting on policy proposals that refine the approach to operational resilience set out in the DP, and further engagement with the industry and at international policy fora.

## 7. **Education and Outreach**

### **i. Investment Association update**

David Broadway (the Investment Association) provided an update from the Investment Association. There was a discussion on some of the implications to the asset management community relating to: the Senior Managers & Certification Regime (SM&CR) that would be effective from 9 December 2019, the transition from LIBOR, and BCBS-IOSCO's recommendations relating to the EMIR margin rules.

The IA were finalising its position papers on standardising reject codes ahead of publication and the timestamping of trades executed by local sub-custodians. The IA were also developing a response to the review of the FX Global Code, and were considering the need to develop a due diligence questionnaire for banks who create FX algorithms.

### **ii. ECB OMG update**

Steve Forrest (UBS) provided an update on the most recent ECB OMG meeting held in September 2019, which had covered topics on: Artificial Intelligence, big data, cloud, distributed ledger technology initiatives and the operational implementation of risk-free reference rates. Mr Forrest also noted that CLS had presented on its strategic response to the most recent market and technology trends.

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<sup>2</sup> <https://www.fca.org.uk/publication/newsletters/market-watch-62.pdf>

### iii. FRBNY OMWG update

The Chair and Secretariat had liaised with the respective FRBNY OMWG counterparts in regards to arranging a joint FXJSC Operations Sub-committee and OMWG meeting in 2020. There was a discussion as to how the joint meeting would be administered, and it was noted more details would be shared with members after the meeting.

#### 8. **FX Operations Resiliency Playbook**

The Chair noted that a sub-group of the FXJSC Operations Sub-committee had previously produced a playbook that set out various strategies, trigger points, and operating principles to recover from an event of FX settlement disruption. A further review of the playbook would be conducted by some members of the FXJSC Operations Sub-committee in Q1 2020 to ensure it remained up-to-date.

#### 9. **Any other business**

The Chair noted that Phil Glackin (JP Morgan) and Will Deighton (Société Générale) would be stepping down from the FXJSC Operations Sub-committee, and thanked them for their contributions.

The Chair noted that the Bank of England had convened a Post-Trade Technology Market Practitioner Panel to explore how market participants can leverage technological improvements to deliver a more efficient and resilient post-trade ecosystem. Further information could be found on the Bank of England's website<sup>3</sup>.

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

**The next meeting of the FXJSC Operations Sub-committee was scheduled to be held on 13 February 2020.**

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<sup>3</sup> <https://www.bankofengland.co.uk/research/future-finance/facilitate-firms-use-of-technology>