

Minutes

FOREIGN EXCHANGE JOINT STANDING COMMITTEE OPERATIONS SUB-COMMITTEE

05 September 2019

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

Attendees: **Citigroup:** Daniel Horgan
CLS: John Hagon
Deutsche Bank: Matthew Caine (Alternate)
Goldman Sachs: John Blythe (Deputy Chair)
HSBC: James Kaye
Insight Investment: Gavin Platman
JP Morgan Chase: Rachel Gerrelli (Alternate)
MUFG Bank: Kerry Peacock
RBC: Isabelle Dennigan (Chair)
Société Générale: Will Deighton (Deputy Chair)
SWIFT: Joe Halberstadt
UBS: Steve Forrest
Bank of England: Matt Dukelow, James Manchester (Secretariat), Tom Lynch (Secretariat), Rachel Breitenbach (Legal Secretariat), Grigoria Christodoulou (Guest speaker), Alex Hutton (Guest speaker), Sumita Ghosh (Guest speaker)

Apologies: **BNY Mellon:** Jon Goddard
Deutsche Bank: Adam Jukes
FCA: Babatunde Carew
JP Morgan Chase: Phillip Glackin
The Investment Association: David Broadway
UK Finance: Andrew Rogan
XTX Markets: Mike Irwin

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1. **Welcome and apologies**
Isabelle Dennigan (Chair, RBC) noted the apologies received and welcomed Matthew Caine (Deutsche Bank) and Rachel Gerrelli (JP Morgan) attending as alternates.
2. **Minutes of 2 May 2019 meeting**
The minutes of the 2 May 2019 meeting were agreed. There were no matters arising.
3. **Market Developments – FXJSC Turnover Survey Results**
Alex Hutton (Bank of England) delivered a presentation on the April 2019 FXJSC Turnover Survey (“the Survey”) results¹. The headlines were that FX turnover in London had posted a fresh record high, emphasising that FX trading activity remains robust, and the UK remained the largest FX centre globally, with an average daily turnover of \$2,860 billion in April 2019, an increase of 12% from October 2018’s data and a 7% increase on April last year. Another key finding of the Survey was the UK had also maintained its position as the largest (non-Asian) centre for trading Chinese currency. There was a discussion on the trends observed across financial instruments, jurisdictions, and the major currency pairs; and some of the factors that may have contributed to these trends.
4. **Diversity and Inclusion in the FX Market**
Sumita Ghosh (Bank of England) summarised some of the Bank’s diversity and inclusion initiatives with a focus on a workstream to diversify external contacts for market intelligence gathering. There was a discussion focussing on ideas to promote diversity and inclusion such as accommodating flexible working, the role of mentoring, adapting recruitment processes and considering the benefits of role models and ways of developing a pipeline of talent through providing relevant opportunities. Members welcomed the presentation and debated how diversity and inclusion in the London FX market could be further improved and sharing their experiences.
5. **Education and Outreach**
 - a. **GFXD update**
Will Deighton (Société Générale) provided a summary of the discussions held at the most recent GFXD meeting. Following the high volatility episode in the TRY FX market in March 2019, ISDA had reviewed their market guidelines that related to interest claims, however it had been judged the wording was sufficient and would not be amended. Liquidity management had also been discussed; in particular the trend of splitting large value payments and whether this issue warranted a working group discussing further. It was noted that this should first be raised in the discussion on the 3-year review of the FX Global Code later in the meeting.
 - b. **FRBNY OMWG update**
The Chair noted that contact had been made with the FRBNY OMWG. The purpose had been to build relationships with counterparts, to exchange perspectives as to how each forum operated, and to discuss some of the previous and upcoming topics covered at meetings. Members noted the synergies from increased collaboration between the two fora, and would look to arrange for FRBNY OMWG representatives to attend a future Operations

¹ <https://www.bankofengland.co.uk/markets/london-foreign-exchange-joint-standing-committee/results-of-the-semi-annual-fx-turnover-survey-april-2019>

Sub-committee meeting.

c. ECB OMG update

Steve Forrest (UBS) provided a summary of the discussions held at the most recent ECB OMG meeting. This had covered: an update from SWIFT on the standard release changes in 2019, a discussion as to how firms used the European Master Agreement (EMA), an overview of confirmation and settlement setup from one of the ECB OMG members, and the operational implications stemming from the transition of euro risk-free rates.

6. Global Foreign Exchange Committee (GFXC)

Grigoria Christodoulou (co-lead GFXC Secretariat, Bank of England) gave an overview of the work led by the GFXC throughout 2019 and a readout of the GFXC meeting held in Tokyo in May 2019. The GFXC had published² a suite of material relating to some of its workstreams. This included a set of tools to help facilitate buy side adoption of the FX Global Code, and a new illustrative example on 'cover and deal' trading activity.

The GFXC had also discussed its mandate to consider the case for a comprehensive review of the FX Global Code at least every three years, and that it would be seeking feedback through a number of channels including the GFXC FX Global Code Survey and local FX committees.

Members discussed some areas that could be considered as part of the review – focusing on the 'Confirmation and Settlement' section of the Code. Following the Operations Sub-committee discussion on operational response to high volatility market events, the group considered whether it may be beneficial to provide more clarity on the paying of interest claims. The Sub-committee agreed to reflect further on this topic and whether any changes to the Code text might be warranted.

Members also discussed how liquidity management had evolved since the publication of the Code in 2017, and the increased trend in the request for splitting large payments. It was noted that the GFXC may wish to consider this development, and any potential implications, further as part of its broader horizon scanning. This may also be a topic for a future Operations Sub-committee working group.

The Chair noted that the collective Operations Sub-committee's feedback would be raised at the FXJSC Main Committee meeting scheduled on 6 September 2019.

Members were encouraged to provide any further feedback through the upcoming GFXC survey.

7. Industry update

a. SWIFT update

Joe Halberstadt (SWIFT) provided an update on relevant matters from SWIFT. An overview of some of the proposed changes in the SWIFT Standard Release for 2020 were discussed, including the likely impact to certain Message Types and next steps. It was noted that the industry migration of cross-border payments and cash from MT to MX standards was scheduled to start by the end of 2021, which would include MT categories 1, 2, and 9. There were no plans at the time to migrate FX MTs to ISO20022. The SWIFT Global Payments Innovation (gpi) initiative was also discussed and how this looked to promote the transparency, traceability and timeliness of cross-border payments. SWIFT noted interest from some of the large

² <https://www.globalfxc.org/press/p190710.htm>

dealers in extending gpi to encompass the underlying trade, as well as the payment.

b. CLS update

John Hagon (CLS) provided an update on the adoption and usage of the various settlement and non-settlement services offered by CLS. The trend in CLS ecosystem performance remained broadly similar since the last FXJSC meeting, noting one significant shift in that the number of settlement and pay-out target completion time breaches had reduced materially year on year.

8. **Any other business**

The Chair noted some of the agenda items to be covered at the next meeting. This included the work led by the Bank of England, PRA and FCA on building the UK financial sector's operational resilience, and also a presentation on the Future of FX.

The Chair also noted that two new members – Sharon Chapman (Barclays) and Terri Van Praagh (Northern Trust) – had recently been on-boarded to the FXJSC Operations Sub-committee, and were due to attend from the next meeting.

The next meeting of the FXJSC Operations Sub-committee was scheduled to be held on 28 November 2019.