

# Minutes

## **FOREIGN EXCHANGE JOINT STANDING COMMITTEE OPERATIONS SUB-COMMITTEE**

31 January 2019

Location: Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA

Attendees: **Association of Foreign Banks:** Bruk Woldegabreil  
**BNY Mellon:** Jon Goddard  
**Citigroup:** Daniel Horgan  
**CLS:** Andrew Cooper (Alternate)  
**Financial Conduct Authority:** Alan Barnes (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)  
**Societe Generale:** Will Deighton (Deputy Chair)  
**SWIFT:** Joe Halberstadt  
**The Investment Association:** David Broadway  
**UBS:** Steve Forrest  
**UK Finance:** Andrew Rogan  
**XTX Markets:** Mike Irwin  
**Bank of England:** Matt Dukelow, James Manchester (Secretariat), Sakshi Gupta (Legal Secretariat), Ben Dyson (Guest speaker), Simon Scorer (Guest speaker), John Jackson (Guest speaker), Sara Ward, (Guest speaker), David Edmunds (Guest speaker)

Apologies: **CLS:** John Hagon  
**Deutsche Bank:** Adam Jukes  
**FCA:** Babatunde Carew  
**JP Morgan Chase:** Phil Glackin

---

Minute no.	Minute	Action owner and due date
------------	--------	---------------------------

1. **Welcome and apologies**  
Isabelle Dennigan (Chair, RBC) noted the apologies received and introduced Matt Dukelow (Bank of England) and Sakshi Gupta (Legal Secretariat, Bank of England) as new members of the Operations Sub-committee. The Chair welcomed Andrew Cooper (CLS), Alan Barnes (FCA), and Rachel Gerrelli (JP Morgan Chase) representing as alternates. The Chair informed members that Jennifer Ashton and Charlotte Pope-Williams (Bank of England) and Joel Sleight (Record Currency Management) had stepped down from the Operations Sub-committee.
2. **Minutes of 6 September meeting**  
The minutes of the 6 September 2018 meeting were agreed. There were no matters arising.
3. **Competition guidelines reminder**  
Ms Gupta reminded members of the competition guidelines<sup>1</sup> 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. Ms Gupta noted that members should not share any commercially sensitive information, and urged members to familiarise themselves with the competition guidelines and share them with other staff in their organisations involved in FXJSC work.
4. **FXJSC Terms of Reference**  
James Manchester (Secretariat, Bank of England) noted that the Secretariat had reviewed and updated the FXJSC Operations Sub-committee Terms of Reference, and provided a summary of the proposed changes that had been made. There were no further comments and the updated Terms of Reference were agreed.
5. **Readout of the GFXC meeting held 29-30 November**  
David Edmunds (Bank of England) provided an update on the work of the GFXC and the most recent meeting held in Paris on 29-30 November<sup>23</sup>.

During the first day, the GFXC reviewed the work conducted by its four working groups and agreed next steps. The GFXC discussed the draft papers for publication produced by the Cover and Deal and the Disclosures working groups and considered the comments received from local FX committees including the FXJSC. It was agreed that both papers would be updated and published in early 2019.

The GFXC discussed work on embedding the Code and reviewed the findings from its 2018 survey to measure the effects of the FX Global Code one year on. Overall the preliminary results were encouragingly positive – awareness was good and Code adoption had grown. In particular, the overwhelming majority of respondents reported that the Code had had a positive impact on behaviours and practices both in their own firms and in the market as a whole, with only a tiny minority (approx.1-2%) reporting negative impacts. The GFXC noted that the survey results might also indicate a heightening of expectations that market

---

<sup>1</sup><https://www.bankofengland.co.uk/-/media/boe/files/markets/foreign-exchange-joint-standing-committee/fxjsc-competition-guidelines-2018.pdf>

<sup>2</sup> The 29-30 November meeting agenda can be found at: <https://www.globalfxc.org/agendas.htm>

<sup>3</sup> The accompanying press release following the GFXC meeting held 29-30 November can be found at: <https://www.globalfxc.org/press/p190214.htm>

participants have of their counterparties: one of the key objectives of the Code. Analysis of the survey results was ongoing and the GFXC would publish its findings in early 2019.

The GFXC also reviewed the work of the buy-side outreach working group completed during 2018 and its plans for 2019. A focus of the planned outreach efforts would be clearly articulating the benefits of signing up to the Code for the buy-side community and understanding the challenges faced. This would be achieved via bilateral engagement and by expanding the GFXC's participation in buy-side-focused industry events.

Mr Edmunds noted that the second day of the GFXC meeting featured updates from local foreign exchange committees, including the FXJSC, and a presentation on reference rate reform and its applicability to FX markets. The meeting minutes and papers would be published in Q1 2019. The next GFXC meeting would be held in 22-23 May in Tokyo.

6. **Member discussion regarding Japan unforeseen market holiday in April-May 2019**

The Chair explained that there would be a 10-day unforeseen market holiday period due to be observed in Japan, which will be held over Japan's Golden Week between 27 April – 6 May 2019, and was 'unforeseen' due to the Japanese emperor's planned abdication.

The Tokyo Foreign Exchange Committee (FXC) had produced a draft output detailing proposed settlement guidance in the interbank market during this Golden Week. The draft guidance proposed that, in the absence of existing bilateral agreements, market participants adopt a modified following convention for FX spot and forward contracts as a moderate market practice.

Members discussed some of the implications of adopting a modified following convention, particularly the impacts this may have on system changes and potential ambiguities this could create to pricing spot and forward FX transactions with different settlement dates in the days immediately prior to the Golden Week. Mr Cooper noted that CLS had loaded the Japanese yen currency holidays into the CLS system on a modified following basis, and had sent a notification to its members.

Members welcomed the guidance received from the Tokyo FXC, but noted that firms may also want to engage bilaterally with their counterparties. Mr Manchester noted that the Tokyo FXC would be publishing a finalised statement outlining the recommended settlement guidance in February 2019<sup>4</sup>.

7. **Presentation on Digital Currencies and Distributed Ledger Technology**

Ben Dyson and Simon Scorer delivered a presentation on cryptocurrencies and distributed ledger technology (DLT). Mr Dyson outlined some of the areas that the Bank of England had researched such as how widely used cryptocurrencies are for payments or settlement, the size of exposures taken by systemically important firms, and whether they posed a risk in disrupting systemically important financial markets. Mr Dyson also explained some of the Bank's work in monitoring developments in underlying and derivative markets, and monitoring whether technological, behavioural and regulatory constraints could be overcome.

Mr Scorer explained the underlying DLT and the range of different types of platform which usually combine four features: data distribution, decentralisation of control, use of cryptography and programmability / automation; and how these

**ACT Secretariat** – to circulate the Cryptoasset Taskforce report.

---

<sup>4</sup> The Tokyo FXC's published statement could be found at: [http://www.fxcomtky.com/announce/index\\_e.html#public\\_doc05](http://www.fxcomtky.com/announce/index_e.html#public_doc05)

design choices ranged in terms of how data is shared and user permissions. Mr Scorer outlined some of the potential benefits of applying DLT, including: enhanced resiliency, increased efficiency in end-to-end settlement processes, enabling tokenisation of existing assets, and efficiency gains in reporting, auditing and oversight, and automated contract tools. Mr Scorer also outlined some of the trade-offs in the design choices, and a number of the challenges to the widespread adoption of DLT. Members discussed how the trade-offs in design choices between the benefits of resiliency and increased efficiency versus performance and privacy.

The Bank of England, FCA and HMT had formed a Cryptoasset Taskforce, and had produced a final report which set out the UK's approach to cryptoassets and distributed ledger technology in financial services. It was agreed to circulate the Cryptoassets Taskforce report<sup>5</sup> to members. Mr Barnes noted that the FCA were consulting on perimeter guidance<sup>6</sup> to clarify which cryptoassets fall within the FCA's existing regulatory perimeter and which did not. The FCA were due to publish a separate consultation on a potential prohibition of the sale to retail consumers of derivatives.

## 8. **Education and Outreach**

### a. UK Finance update

Andrew Rogan (UK Finance) provided an update on recent political developments, particularly in relation to the UK Government's preparations for the UK's exit from the EU. Mr Rogan noted that domestic politics were fluid. Most recently, the UK Parliament had held votes on seven amendments which set out various alternative EU-withdrawal proposals. Mr Rogan explained the likely implications the outcome of these votes had, and also provided insight as to the possible ways in which political events may unfold over the coming weeks.

### b. Investment Association update

David Broadway (the Investment Association) provided an update on its key focus areas in the capital markets space. The IA was consulting with its members on two guides it had planned to publish concerning the FX Global Code ("the Code") – one regarding signing up to the Code, and the other on the application of the Code itself in practice.

In regards to the reporting of FX swaps under MiFIR and EMIR, Mr Broadway noted that the IA had communicated to its members that there was no requirement to change their approach, while highlighting the importance of both parties – and any venue across which they trade – having a common understanding of what was executed and therefore what should be reported.

Mr Broadway also noted that the IA was inputting to an international strategy for the future of financial services that was being prepared by the Economic Secretary, and noted other key focuses included: the LIBOR reform, sustainable finance, preparations for the settlement discipline regime that would be introduced by the Central Securities Depositories Regulation (CSDR) from September 2020, and the new Securities Financing Transactions Regulation (SFTR) trade reporting requirements that would apply to IA members' clients from the end of 2020.

### c. Association of Foreign Banks update

Bruk Woldegabreil (Association of Foreign Banks) provided an update on its key focuses, covering its members' preparations ahead of the UK's exit from the EU,

---

<sup>5</sup> <https://www.bankofengland.co.uk/report/2018/publication-of-the-hmt-fca-boe-cryptoasset-taskforce-report>

<sup>6</sup> <https://www.fca.org.uk/publication/consultation/cp19-03.pdf>

the AFB's work relating to the Market Abuse Regulation (MAR), and work with its members in preparation of the LIBOR transition.

9. **FCA regulatory update**

Alan Barnes (FCA) provided an overview of the various arrangements that HMT and the FCA would put in place if the UK leaves the EU without an agreement and implementation period. Mr Barnes highlighted the main changes arising from the MiFID II and MAR Statutory Instruments which convert EU legislation into UK law, the Temporary Permissions Regime, and the Temporary Transitional Power.

Mr Barnes reported that the FCA had discussed market concerns with EMIR and MiFID Q&A requirements for the reporting of FX swaps. The changes aimed to support the consistent treatment and reporting of FX swaps and forwards. Trading Venues and Firms needed to consider when they are executing a FX swap as a distinct product class and when they are executing two forwards transactions and to report those respective transactions as swaps or forwards accordingly.

Mr Barnes also noted that the FCA consultation on recognising the FX Global Code was due to close on 6 February 2019.

10. **CLS industry update**

Mr Cooper provided an industry update on CLS and provided some high-level trends of its ecosystem performance. Mr Cooper noted that total pay-in delays and incidents had almost double in 2018 versus 2017. Mr Cooper noted that CLS were looking further to understand what may be contributing to this trend. Mr Cooper also provided an update on CLSNet, noting that there were five active participants with four more in the pipeline, and that the average daily netting benefit was \$680million decreasing to \$387million.

11. **Presentation on the RTGS Renewal Programme**

Sara Ward and John Jackson (Bank of England) presented an update on the Real-Time Gross Settlement (RTGS) Renewal Programme ("the Programme"). Ms Ward provided background on the next generation of the RTGS infrastructure and outlined the key visions of the Programme: increased resiliency, wider access of firms to directly benefit the RTGS, interoperability and flexibility to reroute payments, improved user functionality, and strengthened end-to-end risk management.

Ms Ward outlined the journey of the Programme to date which had entailed producing a Blueprint for the new RTGS service<sup>7</sup>, and the plan-analyse-design stage. The indicative programme plan ahead would consist of four overlapping transition states to minimise delivery risk and allow early benefit realisation.

Mr Jackson noted the shift in the UK payments industry towards the ISO 20022 messaging standard – the emerging global standard for payments messaging. It was noted that ISO 20022 would be adopted by CHAPS, Bacs and Faster Payments, and this adoption would help address challenges by creating consistent a data format, domestic interoperability and international harmonisation. Mr Jackson explained how the adoption of ISO 20022 would lead to key changes particularly in common credit messages, character sets, and Legal Entity Identifiers (LEIs), and how this would help international harmonisation.

The Bank had consulted with direct CHAPS participants on the future shape of CHAPS liquidity saving functionality, and were analysing these responses with a view to share a public response in 2019. The Programme would also deliver a package of Application Programming Interface (API) enabled functionality that

---

<sup>7</sup> <https://www.bankofengland.co.uk/paper/2017/a-blueprint-for-a-new-rtgs-service-for-the-uk>

unlocked tangible benefits for users. The Programme was also exploring what functionality could be best enabled by a package of APIs, what technical standard would be most appropriate, and what implementation would look like. Members welcomed the update on from the Programme, and noted the Sub-committee's interest in understanding how new technologies were being applied to financial services.

12. **FX Settlement Crisis Management Playbook**

Jon Goddard (BNY Mellon) noted that he and Steve Forrest (UBS) had updated the FX Settlement Crisis Management Playbook ("the Playbook"), which was presented at the Bank of England's Cross-Market Operational Resiliency Group (CMORG) in Q3 2018. Members identified some possible areas of focus for the next review of the Playbook, currently expected towards the end of 2019. Mr Goddard also noted that there were plans to put the Playbook on an extranet in due course to make it more widely accessible to members.

13. **Sub-committee priorities for 2019**

The Chair briefly outlined some of the suggested topics of interest that members had sent ahead of the meeting, which would be used to form the agenda for Sub-committee meetings in 2019.

14. **Any other business**

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

Mr Manchester also highlighted that the Semi-Annual FXJSC Turnover Survey Results for October 2018 had recently been published<sup>8</sup>.

**The next meeting of the FXJSC Operations Sub-committee was scheduled for 2 May 2019.**

---

<sup>8</sup> The October 2018 FXJSC Turnover Survey results could be found at: <https://www.bankofengland.co.uk/markets/london-foreign-exchange-joint-standing-committee/results-of-the-semi-annual-fx-turnover-survey-october-2018>