

# Minutes

## FOREIGN EXCHANGE JOINT STANDING COMMITTEE OPERATIONS SUB-COMMITTEE

02 May 2019

---

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

Attendees: **Association of Foreign Banks:** Bruk Woldegabreil  
**Citigroup:** Daniel Horgan  
**CLS:** John Hagon  
**Deutsche Bank:** Adam Jukes  
**Financial Conduct Authority:** Alan Barnes (Alternate)  
**Goldman Sachs:** John Blythe (Deputy Chair)  
**Insight Investment:** Gavin Platman  
**JP Morgan Chase:** Phil Glackin  
**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:** Ritesh Saigal (Alternate)  
**Bank of England:** James Manchester (Secretariat), Frederick Ladbury, Paul Avanzato (Legal Secretariat)

Apologies: **Bank of England:** Matt Dukelow  
**BNY Mellon:** Jon Goddard  
**Financial Conduct Authority:** Babatunde Carew  
**HSBC:** James Kaye  
**XTX Markets:** Mike Irwin

---

Minute no.	Minute	Action owner and due date
1.	<p><b>Welcome and apologies</b></p> <p>Isabelle Dennigan (Chair, RBC) noted the apologies received and welcomed Alan Barnes (FCA) and Ritesh Saigal (XTX Markets) attending as alternates. Paul Avanzato (Legal Secretariat, Bank of England) reminded members of the competition guidelines<sup>1</sup>.</p>	
2.	<p><b>Minutes of 31 January 2019 meeting</b></p> <p>The minutes of the 31 January 2019 meeting were agreed. There were no matters arising.</p>	
3.	<p><b>Operations Overview</b></p> <p>Kerry Peacock (MUFG Bank) presented an overview of MUFG Bank's operational setup from an educational perspective. Mr Peacock outlined some of the common challenges and levers to optimise the delivery of operations. A key theme was the application of digitisation to operations.</p> <p>Mr Peacock noted how the operating environment was constantly evolving, which had brought new common challenges across the industry, such as rising costs and fee pressures, shifts in investment trends, and complicated legacy systems. Mr Peacock remarked how the application of digitisation could help address some of these common challenges and create new ways of working. In turn, this could lead to increased speed of service, operations and decision-making, improved capability, productivity and efficiency, and help simplify complex technology environments.</p> <p>Mr Peacock explained some of the principles that could be applied when identifying the right processes to automate. He outlined how digitisation could particularly be applied to processes with a manual focus – such as transaction processing, reporting and compliance – to bring efficiency gains, and how digitisation could lead to the provision of more real-time services in the future.</p> <p>Members welcomed the presentation and discussed how the application of digitisation would itself bring new common challenges. Members discussed some of the possible common issues surrounding: the governance when applying robotic processing automation and artificial intelligence, change management and how existing workforces would need to adapt while retaining knowledge, and how this could influence the operations landscape in the longer term.</p>	
4.	<p><b>Operational response to market events</b></p> <p>The Chair provided an overview of the events in the Turkish Lira FX market towards the end of March 2019, which related to offshore lending restrictions, and which had led to volatility in overnight swap rates and settlement failures. The Chair asked members to share some of their high-level observations, thematic issues, and learning points that they had experienced since these events.</p> <p>The general view noted among sell-side members was that it had been a challenging period, but communications among market participants had been cooperative, which had helped to quickly resolve issues. A key issue experienced was in regards to the processing of interest claims. Given the idiosyncratic nature of the event, it was difficult for firms to apply a standardised approach to interest claims, which could potentially lead to</p>	

---

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

queries among counterparties. It was noted that an agreed protocol for such market events may be helpful to address such issues.

## 5. **Industry update**

### a. **CLS update**

John Hagon (CLS) provided a CLS ecosystem performance update. Mr Hagon noted that there has been an overall decline in CLS Member and Nostro pay-in performance. Some of the common root causes behind these incidents had been software/configuration issues, operational issues and hardware failure.

Mr Hagon noted that CLS had identified a number of best practices that it was recommending to CLS Members and Nostros. These included more effective contingency procedures, the adoption of committed credit lines and ensuring change activity thoroughly considered knock-on impacts to CLS processing within their institution.

Further, Mr Hagon noted that CLS had been enhancing its management information to improve awareness and planned to pilot a large position report on settlement day -1 in order to help clients better manage their next day payment obligations.

### b. **SWIFT update**

Joe Halberstadt provided an update on matters from SWIFT that were relevant to the Operations Sub-committee. Mr Halberstadt provided a high-level description of the Standard Release changes due to be implemented in 2019. Key changes related to streamlining party fields in the MT300 and MT304, and removing free formatting.

Mr Halberstadt explained these changes should help more automated confirmation matching, improve straight-through processing, and help reduce operational risk and costs. Mr Halberstadt explained some of the implications if transactions did not change to become compliant with these changes.

## 6. **Education and outreach**

### a. **UK Finance update**

Andrew Rogan (UK Finance) provided an update on matters from UK Finance that were relevant to the Operations Sub-committee. Mr Rogan noted that in regards to the UK's withdrawal from the EU, the key development would be how the cross-party discussions progressed.

Mr Rogan also noted the work that had been ongoing throughout the industry – led by regulatory authorities – which related to improving the operational resilience of the UK financial sector, and to enhance the ability to prevent, respond and recover from operational disruption. A discussion paper<sup>2</sup> (DP) had been issued jointly by the PRA, FCA and the Bank in July 2018, which shared the supervisory authorities' thinking regarding operational resilience and sought feedback from all parts of the financial sector. Members agreed this should be a topic to consider revisiting at a future meeting.

### b. **Investment Association update**

---

<sup>2</sup> <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/discussion-paper/2018/dp118.pdf>

David Broadway (the Investment Association) provided an update on matters from the IA that were relevant to the Operations Sub-committee. Mr Broadway noted that the IA had published a position paper on the standardisation of reject codes. The position paper defined a set of non-overlapping and unambiguous reject codes that execution providers could use to report the reason for an order being rejected, and to help promote appropriate disclosure and transparency around order handling. This was out for comment until 30 July. Mr Broadway also noted that the timestamping of trades that were undertaken by custodians remained a key topic of discussion with IA members - the IA was exploring with members and custodians how barriers to provide more precise timestamping could be overcome.

**c. GFXD update**

Will Deighton (Societe Generale) provided an update on the Global Foreign Exchange Division (GFXD). Mr Deighton noted that following the TRY market events in end-March, the GFXD had engaged with ISDA about standardisation of interest claims. Mr Deighton also noted that there had been discussions on standardisation of bilateral netting templates, and the Golden Week observed in Japan in April-May 2019.

**d. ECB OMG update**

Steve Forrest (UBS) provided an update on the ECB OMG meeting held in March 2019. Mr Forrest noted that there had been a presentation on robotic process automation covering experiences and the main industry challenges. He also noted that there was a discussion on ESMA's annual statistical report on the EU derivatives market, an update on EU withdrawal preparations, and the operational implications to the introduction of the new euro-risk free rates.

**7. FCA regulatory update**

Alan Barnes (FCA) provided a regulatory update. Mr Barnes noted that the FCA had been considering whether the FX Global Code should be recognised by the FCA, and that an announcement would likely be made in Q2 2019. Mr Barnes also highlighted a speech by Andrew Bailey on the future of financial conduct regulation which discussed the FCA's thinking on its future approach.

**8. Any other business**

The Chair noted topics that were being considered for the agenda at the upcoming Operations Sub-committee meetings in H2 2019. Topics of interest included operational resilience, collateral management, and the future of FX. Members agreed that these were key areas for the Operations Sub-committee to cover at future meetings.

The Chair also noted that the Membership Committee were working to bring on new members to the Operations Sub-committee and emphasised the importance of diversity when considering membership.

Mr Manchester noted that the Global Foreign Exchange Committee would be meeting on the 22 and 23 May 2019 in Tokyo.

**The next meeting of the FXJSC Operations Sub-committee was scheduled to be held on 5 September 2019.**