

Minutes

Foreign Exchange Joint Standing Committee

09 June 2020

Location: Teleconference

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*

Galina Dimitrova – *The Investment Association*

Giles Page – *Citigroup*

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

James Kemp – *FICC Markets Standards Board*

Kayhan Mirza – *Goldman Sachs*

Kevin Kimmel – *Citadel Securities*

Marc Bayle de Jesse – *CLS*

Neill Penney – *Refinitiv*

Richard Bibbey – *HSBC*

Richard Pursell – *Insight Investment*

Robbie Boukhoufane – *Schroders*

Rohan Churm – *Bank of England*

Russell Lascala – *Deutsche Bank*

Sarah Boyce – *Association of Corporate Treasurers*

Sian Hurrell – *RBC*

Simon Manwaring – *Natwest Markets*

Stephen Jefferies – *JP Morgan*

Wang Yan – *Bank of China*

Zar Amrolia – *XTX Markets*

Guest **Guy Debelle** – *Reserve Bank of Australia (GFXC Chair)*

Attendees:

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

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

James O'Connor – *Bank of England*

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

Lauren Hustwitt – *Bank of England*

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| 1. | <p>Welcome and apologies</p> <p>Andrew Hauser (Chair, Bank of England) welcomed guest attendee Guy Debelle (Reserve Bank of Australia and Chair of GFXC), and announced that Isabelle Dennigan (RBC) and Kayhan Mirza (Goldman Sachs) would be stepping down from the Committee. He thanked Ms Dennigan for her work as Chair of the Operations Sub-committee, and both members for their valuable contributions to the FXJSC's discussions over a number of years.</p> |
| 2. | <p>Minutes of 2 March 2020 meeting and extraordinary meetings held via teleconference on 20 and 27 March 2020</p> <p>The minutes of the 2 March 2020 meeting, and extraordinary meetings held on 20 and 27 March 2020 respectively were agreed. There were no matters arising.</p> |
| 3. | <p>Operational Risk and Resilience</p> <p>The Committee discussed how institutions were preparing for the post-Covid19 period, including the potential for at least some staff to return to the office, and the associated challenges. Members noted that many institutions would follow a phased approach in the short term, introducing shift patterns to observe social distancing measures, and maintaining flexibility for many staff to continue to work from home. Amongst a range of factors being considered, one was the need for many staff to use public transport to travel to and from the office.</p> <p>Members discussed how operational risks were evolving for institutions and staff arising as the Covid-19 lockdown progressed. Examples included: managing the control environment (including compliance to policies); progressing strategic change and technology programmes; the wellbeing of staff and subsequent impact on staff productivity and; the impact on staff performance / development management.</p> |
| 4. | <p>Market Conditions: Covid-19</p> <p>Members observed that FX market conditions had improved further since the Committee convened in March. In particular, the functioning of US dollar funding markets had stabilised following central bank enhancements to the provision of liquidity via both standing and temporary US dollar liquidity swap lines.</p> <p>The Committee discussed whether recent market conditions had identified any potential weaknesses in market structure. It was noted that some market commentary had expressed concerns regarding the functioning of FX benchmarks. Members understood that the WM/Reuters Oversight Committee would be considering this feedback in the coming months. The GFXC Statement published ahead of the month-end fixings in March had been welcomed by market participants, and had helped facilitate constructive discussions between clients and dealers around the handling of fixing orders in light of market conditions.</p> |
| 5. | <p>Global Foreign Exchange Committee (GFXC)</p> <p>Guy Debelle (Reserve Bank of Australia and Chair of GFXC) provided an update on the work of the GFXC. Mr Debelle explained that the GFXC had agreed to cancel the physical meeting that had been planned for June, and would instead hold a conference call on 22 June 2020. The agenda items for that conference call included discussions on: recent market conditions and developments in light of Covid-19; operational resilience and lessons learnt from the recent working arrangements; and FX settlement risk following on from the most recent BIS Triennial Survey results.</p> <p>Mr Debelle explained that the GFXC would discuss a revised timeline for the 3-year review of the FX Global Code with the aim of restarting the working groups in the coming months.</p> |
| 6. | <p>FCA Update</p> <p>The FCA reported that the European Commission's public consultation on the review of the MiFID2/MiFIR regulatory framework had been delayed due to Covid-19. It was also noted that</p> |

ESMA's technical advice on the Market Abuse Regulation (MAR) Review has been moved to Q3 2020.

It was noted that the FCA had recently published a new edition of its 'Market Watch' newsletter on market conduct and transaction reporting issues¹. This edition contained key messages on market conduct and discipline in the context of Covid-19.

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

The Operations Sub-committee had met on 13 May 2020. Agenda items had included: a discussion on market observations related to Covid-19; a discussion on operational normalisation, exit strategy and possible changes to business-as-usual; and an update by UK Finance on the Voluntary Sterling Settlement Postponement (VSSP) consultation. Members had also discussed plans to refresh the FX Settlement Crisis Management Playbook.

8. **Update from the FICC Markets Standard Board (FMSB)**

The FMSB provided an update on a number of Spotlight Reviews that had been published: a review on the critical role of data management in the financial system; and LIBOR transition case studies for navigating conduct risks. An update was also given on the Remote Working and Risks Control Group established in response to the Covid-19 pandemic on the operation of financial services activities with a workforce which is widely distributed, as well as identifying the risks which arise with a prolonged period of remote working.

The FMSB also updated members on the Algorithmic trading in FICC markets Statement of Good Practice paper which was due to be published, and the Statement of Good Practice aimed at promoting greater transparency on how both bilateral and multilateral electronic trading platforms operate, which was currently undergoing legal review. It was also confirmed that a final draft of the FMSB Standard for market participants relating to the execution of large trades in wholesale FICC markets was ready for the FMSB's internal legal review.

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

The Legal Sub-committee had met on 8 June 2020. Agenda items had included: an update on recent regulatory developments, covering the EU's review of the Market Abuse Regulation (MAR) and of the MiFID II/MiFIR regulatory framework, and an overview of proposed changes to UK insolvency law and the impact on FX contracts and counterparties.

10. **Any other business**

None discussed.

Next FXJSC Meeting: 10 September 2020

¹ <https://www.fca.org.uk/publication/newsletters/market-watch-63.pdf>