

Minutes

Foreign Exchange Joint Standing Committee Legal Sub-Committee

11th February 2020

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

Attendees: **Bank of England:** Jonathan Grant (Secretary), Paul Avanzato

Goldman Sachs: Dan Parker (Chair)

Bank of England: Grigoria Christodoulou, Tom Horn, Tim Scott (Guest Speakers)

Citigroup: Sharon Blackman

CLS: Gaynor Wood [Dialled in]

Deutsche Bank: Simon Goldsworthy

Financial Conduct Authority (FCA): David Harris

HSBC: Harkamal Singh Atwal

JP Morgan: Tamsin Rolls

Natwest Markets: Baljit Saini [Dialled in]

Standard Chartered: Rakesh Shah

TP ICAP: Simon Helm

XTX Markets: Sunil Samani

Apologies: **Bank of America:** Jateen Shah

LCH: Diane Bouwmeester

Morgan Stanley: Nimisha Kanabar

UBS: Richard Lamb, Krisha Somaiya

Barclays: Nasia Pachiti Pallikaropoulou

Minute no. Minute

1. **Introduction and Minutes**

The minutes of the meeting of 19 November 2019 were approved.

2. **Global FX Committee and FX Global Code 3 year review**

Grigoria Christodoulou of the GFXC Secretariat provided feedback from the Global FX Committee (the 'GFXC') meeting held on 4 and 5 December 2019 in Sydney¹. Key discussion topics included the results of the GFXC's 2019 survey, the GFXC's Working Group on Disclosures work on anonymous E-Trading Platforms and the 3-year review of the FX Global Code (the 'Code').

The priorities established for the 3-year review work-plan were based upon input from the local foreign exchange committees (FXCs), recommendations from the GFXC Working Group on Disclosures, feedback from the Bank for International Settlements (BIS) Markets Committee (MC) and the GFXC's 2019 Survey.

¹ Minutes attached : https://www.globalfxc.org/events/20191204_minutes.pdf

Five proposed areas of focus for the GFXC in the coming year: buy-side outreach; anonymous trading; disclosures; algorithmic trading and transaction cost analysis (TCA); and execution principles. Work-streams for each of the above priorities would be established, with leads nominated for each work-stream from the GFXC membership. The aim would be for each work-stream to prepare proposals for discussion at the GFXC meeting to be held in June in Zurich, to include any proposed changes thought necessary to the Code.

3. **LIBOR and Risk Free Rate Transition**

Tom Horn, Senior Manager with the Bank of England, provided an update on the transition process in the UK since June 2019, including an outline of the priorities and milestones published by the Working Group on Sterling Risk-Free Reference Rates (RFR WG) for 2020. Key developments of note were i) the consolidation of SONIA as market standard for bond and other markets, which was well advanced; ii) the framework for transition of legacy products, to significantly reduce outstanding stock by Q1 2021; and iii) upcoming steps to promote further transition to SONIA in derivatives. Tom also reiterated the key messages from the Financial Policy Committee report issued in December 2020, and the set of documents published by the Bank of England, the Financial Conduct Authority and the RFRWG on 16 January 2020 outlining priorities and milestones for 2020 on LIBOR transition. These called on the market to take action given the intention that sterling LIBOR will cease after 2021.

4. **EU Withdrawal Update**

Tim Scott of the Bank of England, Legal Directorate, provided an update on the recent developments relating to UK's withdrawal from the EU on 31 January 2020, and developments regarding the future UK-EU relationship in financial services. The key focus of EU and UK negotiators will be 'equivalence' as a means of regulatory recognition for cross-border financial services. Whilst the UK/EU Political Declaration contains little detail, it is understood that 'pass-porting' between the UK and the EU will end after the transition period and reliance will instead be placed on the various heads of equivalence in EU law, which the UK also inherits, as well as firm-level restructuring/reorienting of business models. Understanding the EU and UK approaches to operating their respective equivalence regimes – and the interaction with related concepts such as the regulatory perimeter – will therefore be increasingly important to firms.

Any Other Business

The next meeting was expected in May 2020, on a date to be confirmed.