

Minutes

Foreign Exchange Joint Standing Committee Legal Sub-Committee

10th November 2020

Location: Telephone conference call hosted by Bank of England

Attendees: **Bank of England:** Jonathan Grant (Secretary), Paul Avanzato and Grigoria Christodoulou (GFXC Secretariat, Guest Speaker)
Citigroup: Sharon Blackman (Chair)
Allen & Overy: Paul Cluley, Heenal Vasu (Guest Speakers)
Barclays: Nasia Pachiti Pallikaropoulou
BNY Mellon: Jon Goddard (Guest Speaker)
CLS: Gaynor Wood
Deutsche Bank: Simon Goldsworthy
Financial Conduct Authority (FCA): David Harris
Goldman Sachs: Dan Parker
HSBC: Harkamal Singh Atwal
JP Morgan: Tamsin Rolls
LCH: Diane Bouwmeester
Morgan Stanley: Nimisha Kanabar
NatWest: Baljit Saini
Standard Chartered: Rakesh Shah
TP ICAP: Simon Helm
UK Finance: Aysha Fernandes (Guest Speaker)
XTX Markets: Sunil Samani

Apologies: **Bank of America:** Jateen Shah
UBS: Richard Lamb

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1. Introduction and Minutes

Jonathan Grant (Secretary) welcomed Sharon Blackman (Citibank) as new Chair of the Legal Sub-committee, and thanked Dan Parker (Goldman Sachs) for his valuable contribution as Chair.

The minutes of the meeting of 8th September 2020 were approved.

2. Settlement contingencies, Amended settlement hours (ASH) and Voluntary Sterling Settlement Postponement (VSSP)

Aysha Fernandes (Interim General Counsel, UK Finance) together with Paul Cluley and Heenal

Vasu of Allen & Overy provided an introduction to the settlement contingency options being discussed by the Cross-Market Business Continuity Group (CMBCG) that could be used in response to actual or anticipated major operational disruption, and an overview of the general legal considerations.

The CMBCG work was focused on two scenarios, the Bank of England's Real Time Gross Settlement System being unable to safely support normal operations, for example as a result of staff availability or infrastructure or IT outage, and/or an inability of a critical mass of industry to support normal operations related to payments and settlements for similar reasons. Two contingencies had been reviewed: amended settlement hours (ASH) and voluntary sterling settlement postponement (VSSP), and legal considerations applicable to both had been considered by UK Finance with its lawyers. These considerations included: ASH/VSSP governance and the status of CMBCG; 'business days/banking days' definition; and how ASH/VSSP would be treated by financial markets infrastructure within the exercise of rule-book discretions. Further analysis would be needed in order to fully assess these considerations.

3. FX Settlement Crisis Management Playbook

Jon Goddard (Bank of New York Mellon) provided an overview of the work of the FXJSC Operations Sub-committee (FX OSC) on the FX Settlement Crisis Management Playbook (Playbook). Work on the draft Playbook commenced in 2015, undertaken by members of the FX Settlement Resiliency Working Group (WG), and facilitated by the FX OSC. Its purpose was to assess the impacts of an FX settlement crisis caused by the unavailability of a critical vendor, and identify options and considerations for the operational management of the event. Impacts were assessed by reference to data available at the time, and the WG were considering what further steps should be taken with the Playbook.

4. Global FX Committee and FX Global Code 3 year review

Grigoria Christodoulou of the GFXC Secretariat provided feedback from the GFXC meeting on 23 September 2020.¹ Key discussion topics included settlement trends within the FX market and how associated risks were being managed, as identified in the BIS Quarterly Review (December 2019), the importance of effective settlement as highlighted by recent examples of settlement fails (Turkish lira), and an update on progress from each of the five FX Global Code (Code) 3 year review working groups (WG), namely buy-side outreach; anonymous trading; disclosures; algorithmic trading and transaction cost analysis; and execution principles.

More detailed updates were expected at the next GFXC meeting, to be held on 8 December. These would include identification of areas for further study and review by the anonymous trading WG; development by the disclosures WG of a 'cover-sheet' to allow liquidity providers to summarise FX disclosures; and any proposed changes to certain Code Principles. Materials for that meeting would be circulated to FXJSC main committee members to allow for feedback.

5. Any other business

Jonathan Grant asked members to put forward suggestions for future topics of discussion.

The next meeting would be on a date to be announced.

¹ Minutes attached : https://www.globalfxc.org/events/20200923_minutes.pdf