

foreign exchange committee



Minutes of the Foreign Exchange Committee Meeting

Meeting: June 3, 2021

Host: Video Conference Meeting

FXC Attendees

Anthony Bisegna (State Street)
Mark Bruce (Jump Trading)
Yudhveer Chaudhry (Blackrock)
Chris Chattaway (Goldman Sachs)
Jose Luis Daza (QFR Capital)
Maria Douvas (Morgan Stanley)
Anna Faustini (Societe Generale)
Chris Vogel (TD Securities) - Chair

Hari Hariharan (NWI Mgmt)
Robert Kim (JPMorgan Chase)
Ben Klixbull (XTX Markets)
Jeffrey Knapp (Coca-Cola)
Marisa Kurk (Northern Trust)
Russell Lascala (Deutsche Bank)
Jessica Sohl (HC Tech) - Vice Chair

Dan Lennon (CLS)
Andrew Maack (Vanguard)
Neill Penney (Refinitiv)
Jodi Schenck (Citibank)
Chris Taendler (Barclays)
Sean Tully (CME Group)

Federal Reserve Bank of New York (FRBNY)

Lorie Logan
Anna Nordstrom
Michelle Ezer
Robert Lerman
Alex Cohen

Sanja Peros
Thomas Noone
James Bergin
John Clark

Patricia Zobel
Sardi Geza
Ian Armstrong

Federal Reserve Board of Governors

Alain Chaboud

U.S. Dept. of Treasury

Susie Han

Other Attendees:

Guy Debelle (Reserve Bank of Australia)
Harri Vikstedt (Bank of Canada)

1. Preparation for Global Foreign Exchange Committee (GFXC) Meeting

The meeting opened with the Chair providing an overview of the deliverables that each FXC had been asked to comment on ahead of the June 28 GFXC meeting. The discussion revolved around two main areas of the three-year review of the FX Global Code: (i) proposed changes to the existing principles in the Code, and (ii) the Pre-Hedging and Last Look guidance papers.

Members first discussed the fatal flaw review on the proposed Code amendments submitted by the following GFXC working groups: Anonymous Trading, Algorithmic Trading & Total Cost Analysis, Disclosures, FX Settlement, and Riskless Principal. Broadly, members expressed their support for the working groups' suggested Code revisions.

Members then discussed the recent updates to the guidance papers on Pre-Hedging and Last Look. The Pre-Hedging working group lead reviewed the revisions to its guidance paper. Members were generally supportive of the changes and agreed to provide written feedback in advance of the GFXC deadline for finalization. A brief update was also provided on the status of the Last Look guidance paper, which was undergoing another revision and would be shared with local foreign exchange committees for further commentary in July.

2. Markets Discussion

FXC members then transitioned to a discussion of market developments since the April FXC meeting. Key themes included views on current inflationary pressures, pricing of U.S. Treasuries, and observations on broad FX market liquidity conditions.

Members shared their inflation outlooks, and whether current conditions would likely be transitory or more enduring. They covered, among other factors, base effects, global supply chain disruptions, microchip shortages, and price sensitivities among varying sectors affected by economic reopening. Inflation readings in emerging market economies were noted to be on the rise, with some members emphasizing that advanced economy inflation may appear more subdued due to differences in the way inflation is measured.

Members then discussed current yield levels in the U.S. Treasury market, where recent price action was noted as relatively limited. Factors cited as influencing short-end rates included expectations for enduring monetary policy accommodation in the U.S., as well as broader expectations that inflationary pressures would be transitory.

Members concluded with a discussion about general FX market functioning, noting that FX volumes and market depth had returned to pre-pandemic levels for most currency pairs. However, it was noted that similar metrics for some emerging market currency pairs that experienced more pronounced volatility during the pandemic remained below pre-COVID measures.

3. Future of the Workplace

The meeting concluded with a discussion about the future of the workplace and considerations related to remote and in-office work arrangements. The discussion touched on several themes, including (i) likely

timeframes for returning to the workplace, (ii) expectations for geographic location of remote workers, (iii) differing workplace models based on specific job roles, (iv) lingering concerns and risks associated with prolonged remote work scenarios, and (v) variables affecting the course of the pandemic.

The next FXC meeting is scheduled for July 14, 2021.