

foreign exchange committee



Minutes of the Foreign Exchange Committee Meeting

Meeting: March 10, 2021

Host: Video Conference Meeting

FXC Attendees

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

Anna Faustini (Societe Generale)
Ben Klixbull (XTX Markets)
Marisa Kurk (Northern Trust)
Russell Lascala (Deutsche Bank)
Dan Lennon (CLS)
Andrew Maack (Vanguard)
Jessica Sohl (HC Tech) - Vice Chair

Michael O'Brien (Eaton Vance)
Bob Tull (Fifth Third)
Sean Tully (CME Group)
Adam Vos (BNY Mellon)

Federal Reserve Bank of New York (FRBNY)

Lorie Logan
Anna Nordstrom
Michelle Ezer
Robert Lerman
Alex Cohen

Sanja Peros
Thomas Noone
Shawei Wang
John Clark
Ian Armstrong

Kathleen Ramirez
Sardi Geza

Federal Reserve Board of Governors

Alain Chaboud

U.S. Dept. of Treasury

Max Harris

Other Attendees:

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

At the start of the meeting, the Chair reminded members that the FRBNY is in an FOMC blackout period, and said that a majority of the day's agenda would be dedicated to discussing the three-year review of the FX Global Code.

1. Global Foreign Exchange Committee Update

An update with key dates related to the completion of the three-year review was shared and included: (i) upcoming GFXC meeting scheduled for March 29; (ii) launch of the Public Request for Feedback on April 8; (iii) fatal flaw review of Code revisions in late May; and (iv) finalization of the Code in late June.

The meeting focused largely on two areas of the three-year review: (i) working group proposals that recommended enhancements to principles, glossary entries, and illustrative examples found in the Code; and (ii) the execution principles of last look and pre-hedging, where the working group proposals suggested authoring educational white papers to provide more clarity on these market practices in lieu making any enhancements to the actual Code principles. Members commented on the proposals provided by each GFXC working group.

Members first discussed the Algorithmic Trading and Transaction Cost Analysis (TCA) workstream. Discussion revolved around proposed enhancements to Code principles related to increased guidance and transparency for relevant market participants on conflicts of interest, disclosures, user education, TCA, and data availability. The working group also previewed a draft of two new templates: the Transaction Cost Data Template, to support analysis by users of algorithms, and an FX Algo Due Diligence Template, to assist in the disclosure of relevant information to users.

Next, members followed up with a discussion of the Anonymous Trading workstream, which has proposed changes to a number of Code principles intended to provide guidance for best practices on anonymous-trading-related subtopics such as data policies, tag management, credit policies, and the identification of Code signatories.

Members then discussed the proposed changes to FX Settlement principles, which aim to strengthen the Code's guidance on the management of settlement risk. The working group proposed enhancements that place a greater emphasis on the usage of payment-versus-payment (PVP) settlement mechanisms, where available, and discourage strategic fails. Many of the proposed changes have been closely drawn from existing industry guidance.

Next, members moved to share their thoughts and feedback on the proposed Code changes provided by the Disclosures working group. The proposal focused on areas of potential improvement to existing disclosures, related to content, clarity and accessibility. Specifically, the discussion covered proposals to enhance Code language on the availability of trade reject information and the handling of confidential information. Additionally, the committee discussed the proposed disclosure coversheets for liquidity providers and electronic trading platforms, which are intended help market participants navigate what can otherwise be lengthy and complex disclosure documents.

In the final area of proposed Code changes, members reviewed the recommendations from the Riskless Principal working group. The working group aimed to evaluate whether the Code would benefit from defining the term and including examples of its use.

Members then discussed the two white papers developed by the Execution Principles working groups on pre-hedging and last look. It was noted that the guidance materials are intended to promote wider knowledge and understanding of these market practices and highlight how they relate to the Code's existing principles but are not themselves part of the Code.

A representative from the Bank of Canada introduced the pre-hedging paper. Members shared their views on the paper's content and weighed the potential for including additional illustrative examples of pre-hedging. Members were encouraged to provide additional written feedback on the draft for further consideration by the working group. Members then discussed the last look paper, noting the importance of improving transparency and disclosures around the market practice. Members were encouraged to provide additional written feedback on the draft for further consideration by the working group.

The meeting closed with a brief update on the progress of the GFXC Buy-side working group, which has identified more targeted measures for effective outreach to engage this market segment. The discussion covered the importance of foreign exchange committee engagement in local jurisdictions and the consideration of issuing additional guidance on the meaning and application of proportionality to aid buy-side firms when adopting the Code. The Deputy Governor of the Reserve Bank of Australia, who is Chair of the GFXC, highlighted the importance of developing a localized strategy for outreach.

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