

Minutes

Global Foreign Exchange Committee Meeting

28 June 2021

Location: Videoconference

Chair: Guy Debelle (Reserve Bank of Australia)

Vice-Chairs: Richard De Roos (Standard Bank of South Africa) and Neill Penney (Refinitiv)

Attendees: AUSTRALIA – Australian Foreign Exchange Committee

Public Representative: Christopher Kent (Reserve Bank of Australia)

Private Representative: Stuart Simmons (QIC)

Other Attendees: Matthew Boge and Jason Griffin (Reserve Bank of Australia)

BRAZIL – Brazilian Foreign Exchange Committee

Public Representative: Patricia Dias and Daniel Nunes da Silva (Banco Central de Brazil)

CANADA – Canadian Foreign Exchange Committee

Public Representative: Grahame Johnson (Bank of Canada)

Private Representative: William Kellett (Scotiabank)

Other Attendees: Zahir Antia and Harri Vikstedt (Bank of Canada)

CHINA – Foreign Exchange Committee

Public Representatives: Sun Guofeng (People's Bank of China) and Sun Jie (China Foreign Exchange Trade System)

Other Attendees: Qiao Linzhi (State Administration of Foreign Exchange)

DENMARK - Scandinavian Foreign Exchange Committee

Public Representative: Michal Nielsen (National Bank of Denmark)

Private Representative: Svante Hedin (SEB)

EURO AREA – Foreign Exchange Contact Group

Public Representative: Torsti Silvonen (European Central Bank)

Private Representative: Ankur Pruthi (Norges Bank Investment Management)

Euro Area Central Bank Observer: Anahita Bierekofen (Deutsche Bundesbank)

Other Attendees: Volker Enseleit, Roswitha Hutter and Toma Tomov (European Central Bank) and Stephane Malrait (ING).

GEORGIA – Financial Markets Treasuries Association

Public Representative: Archil Mestvirishvili and Giorgi Laliashvili (National Bank of Georgia)

Private Representative: Lasha Jugeli (GFMTA)

HONG KONG – Treasury Markets Association

Public Representative: Kim-Hung Li (Hong Kong Monetary Authority)

Private Representative: Chordio Chan (Bank of China)

INDIA – Foreign Exchange Committee

Public Representatives: Gunturu Seshsayee (Reserve Bank of India)

Private Representative: Ashwani Sindhvani (FX Dealers' Association of India)

INDONESIA – Indonesian Foreign Exchange Market Committee

Public Representative: Donny Hutabarat (Bank of Indonesia)

ISRAEL

Public Representative: Tal Biber and Francoise Ben-Zur (Bank of Israel)

Other Attendees: Ketty Cohen (Bank of Israel)

JAPAN – Tokyo Foreign Exchange Market Committee

Public Representative: Yuuki Shimizu (Bank of Japan)

Private Representative: Akira Hoshino (Citi)

Other Attendees: Misa Fujisaki (Bank of Japan)

MEXICO – Mexican Foreign Exchange Committee

Public Representative: Gerardo Garcia (Banco de Mexico)

Private Representative: Javier Alvarado (MONEX Brokerage House)

Other Attendees: Mayte Rico (Banco de Mexico)

RUSSIA – Moscow Foreign Exchange Joint Standing Committee

Public Representative: Valeriy Lyakh (Central Bank of Russia)

Private Representative: Sergey Romanchuk (Metallinvest Bank)

SINGAPORE –Singapore Foreign Exchange Market Committee

Public Representative: Jaqueline Loh (Monetary Authority of Singapore)

Private Representative: David Lynn (Deutsche Bank)

Other Attendees: Ethan Goh and Bernard Wee (Monetary Authority of Singapore)

SOUTH AFRICA – South African Foreign Exchange Committee

Public Representative: Zafar Parker (South African Reserve Bank)

SOUTH KOREA – Seoul Foreign Exchange Committee

Public Representative: DaeSeok Kim (Bank of Korea)

Private Representative: Taehyun Sang (Woori Bank)

SWITZERLAND – Swiss Foreign Exchange Committee

Public Representative: Marcel Zimmermann (Swiss National Bank)

Private Representative: Ernst Lienhard (Swiss Re)

Other Attendees: Barbara Döbeli (Swiss National Bank)

UK – London Foreign Exchange Joint Standing Committee

Public Representatives: Andrew Hauser (Bank of England)

Private Representative: Russell Lascala (Deutsche Bank)

Other Attendees: Grigoria Christodoulou and Rohan Churm (Bank of England)

US – New York Foreign Exchange Committee

Public Representative: Anna Nordstrom (Federal Reserve Bank of New York)

Private Representative: Christopher Vogel (TD Securities)

Other Attendees: Alain Chaboud (Federal Reserve Board), Jim Bergin, Alex Cohen, Michelle Ezer, Sanja Peros and Dan Reichgott (Federal Reserve Bank of New York)

Item no. Minute

1. Welcome and Competition Guidelines

Guy Debelle (the Chair) welcomed the members of the Global Foreign Exchange Committee (GFXC, or ‘the Committee’).

Volker Enseleit (European Central Bank) gave an overview of the [Competition/Antitrust Law Guidelines for Members of the GFXC](#).

As the terms of the Chair and Neill Penney (as co-Vice Chair) are due to conclude at the end of this year, the Chair noted that nominations for their replacements will be sought during the 3rd quarter of 2021. The Leadership Selection Committee will consider the nominations and propose candidates for endorsement by the GFXC at the December meeting.

2. Finalising proposed updates to the FX Global Code

The Chair presented the final working group proposals to update the FX Global Code text and asked the Committee for their endorsement. The GFXC unanimously approved the proposed text changes, bringing the three-year review of the Code to a close. The Chair thanked the working group chairs and members for their efforts. The updated Code text will be published on the GFXC website on 15 July. Translations of the updated Code will be made available in the coming months.

The GFXC reaffirmed their expectation that Code adherents should refresh their Statements of Commitment following the publication of the updated Code text. This was in line with the existing guidance in Annex 3 of the Code noting that “... *Market Participants should consider renewing their Statement of Commitment, having regard to the nature of those updates, as well as the size and complexity of their FX market activities and the nature of their engagement in the FX Market.*” Consistent with this, it was recognised that those Market Participants less affected by the changes to the Code – such as many buy-side firms – may not need to refresh their Statements. In general, committee members believed that a 6 to 12 month period for Market Participants to review their practices would be a reasonable timeframe to aim for, again recognising that there would be some variation among different types of Code adherents.

To help enhance the clarity and accessibility of disclosures, the GFXC will also publish a suite of material and templates on its website, including disclosures Cover Sheets for Liquidity Providers and FX platforms, as well as an Algo Due Diligence Template and a Transaction Cost Analysis (TCA) Data Template. Use of these tools will be voluntary. To encourage their uptake, the Disclosures working group will engage with a set of ‘early adopter’ liquidity providers and platforms who wish to complete a Cover Sheet over the next six months. The Global Index of Public Registers will also be updated by the end of 2021, allowing Market Participants to post Cover Sheets alongside their Statements of Commitment. It is anticipated that completed TCA Data Templates will be exchanged bilaterally while algo providers could opt to post their Algo Due Diligence Templates on their website.

3. **Execution Principles guidance papers**

Harri Vikstedt (Bank of Canada) outlined the minor changes made to the pre-hedging paper, which clarified certain existing points and better aligned the paper with the Code. He noted that while the overall feedback had been very supportive, most of the suggested changes were too prescriptive and/or went beyond the existing guidance in the Code. He also discussed the working group's recommendation to remove the existing pre-hedging stop-loss example from the Code, since it was not a perfectly clear case of pre-hedging. The members approved both the publication of the paper and the removal of the example from the Code.

Akira Hoshino (Citi) summarised the changes made to the draft Guidance Paper on Last Look, including in response to the GFXC's public Request for Feedback. As much of the feedback had focussed on the issue of 'hold times', text had been added to stress that "...any delay that is additional to what is required to complete the price and validity check is considered contrary to Principle 17 (of the Code)." Following the GFXC meeting, the revised draft would be distributed to the local FXCs with comments sought by the end of July. After the working group had incorporated any comments from that final round of feedback, approval to publish the paper would be sought from the GFXC via written procedure.

4. **Buy-side outreach**

The Chair noted that the paper on buy-side engagement, which had been discussed at the March meeting, would soon be published on the GFXC's website. Members with any final editing suggestions were asked to contact the Secretariat.

5. **Discussion of market developments**

Co-Vice Chair Richard de Roos (Standard Bank, [presentation](#)) provided an overview of recent market conditions, noting the trend of US dollar depreciation in recent months, particularly against higher yielding emerging market currencies. Declining US real yields and rising inflation in the June quarter were noted as likely factors behind the dollar's performance which had occurred alongside declining volatility.

Data was presented that suggested certain currencies (such as the Australian dollar and South African rand) continue to be used as proxy hedges for other currencies. Proxy hedging may occur where the underlying currency is illiquid or in instances where the currency does not trade in a particular time zone. It was also noted that steeper yield curves presented significant 'hedged' fixed income return in some currencies, but there was also significant risk in the event of an unwind of these positions.

In the general discussion, members observed that market functioning had remained orderly. Bid-offer spreads had tightened in recent months, but were still not back to pre-COVID-19 levels for some currencies. Some members noted that top-of-book spreads were inconsistent and prone to movement, possibly suggesting that market depth was not so resilient. Separately, work-from-home

arrangements were providing some challenges in regards to ensuring a visible and robust compliance oversight.

Sun Guofeng (PBC) summarised the performance of currencies in the year-to-date before focusing on developments in Chinese markets. As China's economy continued to strengthen, RMB had also appreciated, with the implied volatility remaining stable. The swap curve first steepened and then flattened, currently steeper than at the beginning of the year. While the further opening up of Chinese financial markets is seeing foreign investors increase their holdings of Chinese assets, China's balance of payments was in basic equilibrium with cross-border investment also generally balanced.

Rohan Churm (Bank of England) summarised recent discussions at the FXJSC regarding LIBOR transition arrangements ahead of the year-end deadline for cessation and to cease new usage of USD LIBOR. For cross-currency swaps, market participants had indicated a preference to transition to using 'risk-free rates' on both currency legs (including SOFR for USD) at the same time, rather than in separate steps. GFXC members discussed whether for those currencies where –IBOR-style benchmarks would continue to be published (such as the Australian dollar), such benchmarks would be used in cross-currency swaps against risk-free rates.

Rohan Churm also outlined the FXJSC's recent discussions on the nascent topic of central bank digital currencies (CBDCs), and what they could mean for the FX market. Some thought that CBDCs could in time help reduce costs and settlement risk. However, there remained a host of conceptual issues, including interoperability and whether a CBDC would be remunerated. Members noted that retail CBDCs raised issues for settlement systems, particularly if offered on a 24/7 basis.

The Chair also noted recent discussions that he had with Refinitiv Benchmark Services Ltd regarding their FX benchmarks. It was noted that Refinitiv would shortly be publishing a paper summarising their analysis of the benchmark fixings.

6. **Wrap up and Next steps**

The updated FX Global Code and related material will be published on Thursday, 15 July. An accompanying press statement would be released at the same time.

The Chair noted that with the updated Code now finalised, work to provide further guidance on proportionality will commence in the coming months led by Richard De Roos.

The Chair thanked Neill Penney for his significant contribution as co-Vice Chair, particularly noting his work as lead of the Riskless Principal working group, his co-ordination of the paper drawing lessons from the Covid-19 lockdowns for the FX industry and his overall leadership of the 3-year Code review process. The Chair also acknowledged the support of the Secretariat over the period of the Code's review, particularly Matthew Boge and Grigoria Christodoulou.

Andrew Hauser (Bank of England) led the members in thanking Guy Debelle for his leadership of the GFXC over the past two years, especially noting the successful conclusion to the Code review.

The GFXC's next videoconference will be held in December 2021. The Chair noted that CLS would be invited to provide an update on their work analysing the settlement patterns of some of their major participants. Also, as a regular agenda item, a few local FXCs would be invited to update the Committee on their experience engaging with the buy-side on the FX Global Code.