Minutes

Global Foreign Exchange Committee Meeting

1-2 July 2024

Location: Frankfurt, Germany, with the option of virtual participation. Virtual attendees are denoted with an asterisk

Chair: Gerardo García López (Bank of Mexico)

Vice Chairs: Simon Manwaring (NatWest Markets)
Stuart Simmons (QIC)

Attendees: AUSTRALIA – Australian Foreign Exchange Committee
Public Representatives: Peter Gallagher (Reserve Bank of Australia)
Private Representative: Luke Marriott (ANZ)

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)
Other Attendees: Mathias Drehmann (Secretary of BIS Markets Committee)

BRAZIL – Brazilian Foreign Exchange Committee
Public Representatives: Patricia Dias (Central Bank of Brazil)

CANADA – Canadian Foreign Exchange Committee
Public Representatives: Harri Vikstedt and Stéphane Lavoie (Bank of Canada)
Private Representative: Dagmara Fijalkowski (RBC Global Asset Management)
Other Attendees: Zahir Antia (Bank of Canada)

CHINA – China Foreign Exchange Committee
Public Representative: Zhang Chunyi (People's Bank of China) and Feng Yipei (State Administration of Foreign Exchange)
Private Representative: Shao Wenjuan (China Construction Bank)
Other Attendees: Sun Jia and Hu Ying* (China Foreign Exchange Committee Secretariat)

EURO AREA – Foreign Exchange Contact Group
Public Representative: Torsti Silvonen (European Central Bank)
Private Representative: Stephane Malrait (ING)
Euro Area Central Bank Observer: Elie Lewi (Bank of France)
Other Attendees: Roswitha Hutter and Volker Enseleit (European Central Bank)

GEORGIA – Financial Markets Treasuries Association
Private Representative: Lasha Jugeli* (Georgian Financial Markets Association)

HONG KONG – Treasury Markets Association
Public Representative: Kimberly Chi Man Cheng (Hong Kong Monetary Authority)
Private Representatives: Wong Siu Chung (Bank of China (Hong Kong))

INDIA – Foreign Exchange Committee
Public Representative: Radha Shyam Ratho (Reserve Bank of India)
Private Representative: Ashwani Kumar Sindhwani (Foreign Exchange Dealers' Association of India)
Other Attendees: Tati Kirankumar and Vikram B**.** Singh Rajput (Reserve Bank of India)

INDONESIA – Indonesian Foreign Exchange Market Committee
Public Representatives: Agustina Dharmayanti and Putriana Nurman (Bank Indonesia)

ISRAEL – Israeli Foreign Exchange Committee

Public Representatives: Ketty Cohen* and Tal Biber* (Bank of Israel)
Other Attendees: Marav Ziedman* (Bank of Israel)

JAPAN – Tokyo Foreign Exchange Market Committee
Public Representative: Kenichi Sakura* (Bank of Japan)
Private Representative: Yoshiyasu Inoue (Morgan Stanley MUFG Securities)
Other Attendees: Ryota Nemoto (Bank of Japan)

MEXICO – Mexican Foreign Exchange Committee
Public Representative: Andrés Jiménez Guerra* (Bank of Mexico)
Private Representative: Manuel Meza Piza (BBVA)
Other Attendees: Mariel Padilla Lujano and Carlos Vélez Martínez (Bank of Mexico)

NORWAY – Scandinavian Foreign Exchange Committee
Public Representative: Alexander Flatner (Central Bank of Norway)
Private Representative: Morten Salvesen (DNB)

SINGAPORE – Singapore Foreign Exchange Market Committee
Public Representative: Bernard Wee (Monetary Authority of Singapore)
Private Representative: Andrew Ng Wai Hung (DBS Bank)
Other Attendees: Stefanie Holtze-Jen (Deutsche Bank-Private Bank)

SOUTH AFRICA – South African Foreign Exchange Committee
Public Representative: Andries Tshishonga* (South African Reserve Bank)
Private Representative: Richard de Roos* (Standard Bank)

SOUTH KOREA – Seoul Foreign Exchange Committee
Public Representative: Tae Young Yoon (Bank of Korea)
Private Representative: Sungho Choi (Woori Bank)

SWITZERLAND – Swiss Foreign Exchange Committee
Public Representative: Benjamin Anderegg (Swiss National Bank)
Other Attendees: Barbara Döbeli and Matthieu Fritschi* (Swiss National Bank)

UK – London Foreign Exchange Joint Standing Committee
Public Representative: Philippe Lintern (Bank of England)
Private Representative: Lisa Dukes (Dukes & King)
Other Attendees: Natalie Lovell (Bank of England)

US – New York Foreign Exchange Committee
Public Representative: Anna Nordstrom (Federal Reserve Bank of New York)
Private Representative: Yudhveer Chaudhry (BlackRock)
Other Attendees: Lisa Chung, Sanja Peros, Richard Charlton and Shawei Wang* (Federal Reserve Bank of New York)

Guests
Jonathan Martin (Head of Derivative Products Management, International Swaps and Derivatives Association (ISDA))
Marc Bayle de Jessé (CEO, Continuous Linked Settlement (CLS))
Matthew Vallance* (Global Head of Indirect FX and StreetFX, State Street)
Manuel Mondedeu* (Head of FX Trading, Canadian Imperial Bank of Commerce (CIBC))
Leonardo Gambacorta* (Head, Innovation and the Digital Economy unit, BIS)
Morten Bech* (Centre Head – Switzerland, BIS Innovation Hub)
Myles McGuinness (CEO, Financial Markets Standards Board (FMSB))
Christopher Rich (General Counsel and Head of Standards, FMSB)
Roel Oomen (Managing Director, Deutsche Bank AG)

Observers
Marco Luis Rodríguez Arrieta* (Risk and Research Analyst, Central Bank of Costa Rica)

Wilmar Cabrera Rodríguez* (Director of Operations and Market Analysis, Central Bank of Colombia)
Dean Hill* (Senior Manager, Financial Markets, Reserve Bank of New Zealand)
Conception Alonso (Head of International Markets Section, European Central Bank)
Matthew Conway* (Senior Policy Analyst, Bank of England)
Santiago García Verdú* (Research Specialist, Bank of Mexico)
Sara Castellanos Pascacio* (Research Specialist, Bank of Mexico)
Jeffery Roberts* (Member Board of Directors, Foreign Exchange Professionals Association)

Day 1, 1 July 2024

Item no **Minutes**

Opening, Competition Guidelines and Endorsement

The Chair, Gerardo García (Bank of Mexico), welcomed the members of the Global Foreign Exchange Committee (GFXC, or the "Committee") to the meeting and thanked the European Central Bank (ECB) for hosting the meeting. Mr Garcia welcomed four new representatives/attendees from: the Reserve Bank of Australia (Peter Gallagher), China's State Administration of Foreign Exchange (Feng Yipei), the Central Bank of Israel (Ketty Cohen), and the Federal Reserve Bank of New York (FRBNY) (Richard Charlton). The Chair also welcomed the new private sector representatives from the China Foreign Exchange Committee (Shao Wenjuan) and the Seoul Foreign Exchange Committee (Sungho Choi). Richard Charlton provided an outline of the Competition/Antitrust Law Guidelines for Members of the GFXC. Finally, the Chair formally endorsed Stuart Simmons (QIC) as Co-Vice Chair of the GFXC.

1. **Update on FX Global Code Adherence**

The Chair reported that the GFXC Global Index of Public Registers had reached 1,315 Statements of Commitment during the first half of 2024, with 24 new Market Participants adhering to the FX Global Code (the "Code").[1] It was highlighted that while some institutions see many benefits in adhering to the Code, they do not always find a suitable public register or do not necessarily perceive sufficient benefit in making their adherence public. The Chair announced that the Central Bank of Costa Rica had joined the BIS Central Bank Public Register, having published its Statement of Commitment in December 2023. The Committee was informed that some central banks were considering applying for GFXC membership.

2. **Introduction to the New GFXC Website**

Barbara Döbeli (Swiss National Bank) presented the new version of the GFXC website, which has a fresher look. It also has a more robust configuration for different web browsers, including those used by mobile devices. Ms Döbeli noted that the Code was also featured more prominently on the new website and that the Proportionality Self-Assessment Tool has been made available in Japanese.

The Chair explained that in the future, the costs of specific modifications to the GFXC website, such as making the Proportionality Self-Assessment Tool available in other languages, would need to be covered by the interested jurisdiction(s) themselves, rather than centrally. The costs of any changes of general GFXC interest could potentially be covered by the GFXC Chair Office.

[1] This datapoint could include some double counts as information is obtained from different sources.

Selected statistics on the use of the GFXC website and the Proportionality Self-Assessment Tool were also presented to the Committee.

3. **Three-Year FX Global Code Review**

The GFXC discussed the priorities for the Three-Year Code Review. The Chair reminded the Committee of the high bar for making modifications to the Code and the criteria used to evaluate potential changes.[2]

3.1 **Update on the GFXC FX Settlement Risk Working Group**

Simon Manwaring (GFXC Co-Vice Chair, NatWest Markets) and Natalie Lovell (Bank of England) presented an update from the GFXC FX Settlement Risk Working Group. It was noted that the mandate of the Working Group was to consider potential changes to the Code, analyse the level of Settlement Risk in the FX market, and in the longer term consider the possible impact on the FX market of the move in North America to T+1 securities settlement.

Mr Manwaring presented potential changes to three principles of the Code. Proposed amendments to Principle 35 included the introduction of a risk waterfall concept for mitigating FX Settlement Risk, the encouragement of consistency in the use of agreed settlement methods, and the strengthening of the language around training. The objective of these amendments is to clarify that all Market Participants have a responsibility to reduce FX Settlement Risk. For Principle 50, it was recommended that concepts related to FX Settlement Risk, such as size and duration, be removed as they are not directly comparable to other forms of credit risk. Lastly, for Principle 51, it was proposed that the language around discouraging the use of multiple settlement instructions for the same counterparty be strengthened, and a definition of Standard Settlement Instructions be included in the Glossary of the Code.

Ms Lovell provided an update on the FX Settlement Survey, which was trialled as part of the London Foreign Exchange Joint Standing Committee (FXJSC) semi-annual survey in October 2023. In response to feedback from Reporting Dealers, other central banks, and the BIS; the Survey Template and Guidelines had been revised ahead of the April 2024 reporting round. Importantly, the GFXC was reminded that the BIS FX Triennial Survey, scheduled for April 2025, would also adopt the new approach to collecting FX Settlement data.[3] Ms Lovell encouraged central banks to take part in the October 2024 reporting round and to help Reporting Dealers familiarise themselves with the new approach.

3.2 **Update on GFXC FX Data Working Group**

Benjamin Anderegg (Swiss National Bank) outlined that the mandate of the FX Data Working Group was to analyse how the utilisation of FX data could be made more transparent and how such data could be made more evenly accessible to all Market Participants. The objective was to enhance market transparency and ensure a level playing field. The work had been divided into two streams: i) improving transparency on FX data/transactions under delegated execution and ii) increasing transparency on the use of data generated by clients on electronic trading venues. Mr Anderegg highlighted three key considerations: the high bar for any changes to the Code, the fact that any cost aspect of data falls outside the scope of the GFXC, and the exclusion of personal data from the analysis.

[2] Please refer to the criteria in the Minutes of the GFXC Committee Meeting, 30 November - 1 December 2023 in item 5.
[3] Please refer to the Minutes of the GFXC Committee Meeting, 30 November - 1 December 2023, item 6, for a high-level overview of the new approach.

Stuart Simmons (GFXC Co-Vice Chair, QIC) then presented the Working Group's proposal to improve transparency regarding FX data/transactions under delegated execution. To this end, the Working Group proposed a definition of Principal Delegated Execution to refer to execution that had been delegated to a service provider, such as a custodian, prime broker, futures clearer or, in some instances, a hedging service provider, which itself acts as Principal to the trade from the counterparty perspective. It was noted that the Code does not identify this unique circumstance of a hybrid Agent/Principal role. In addition, under the current definitions, Market Participants acting as Agents would have stronger transparency requirements than those acting as Principals. Hence, it would be useful to clarify the unique circumstance of a hybrid Agent/Principal role and consider if it warrants additional reporting requirements.

In this context, the Working Group assessed whether the term Principal Delegated Execution should be included in the Code, and whether its inclusion could address such circumstances, as well as prevent any unintended consequences. While some practitioners may view the related proposals as standard practice, it was also argued that the term Principal Delegated Execution, and associated hybrid description, could introduce confusion with the traditional distinction between Principal and Agent. The Working Group agreed to take in this feedback and consider how to encourage transparency under delegated execution by focusing on the obligations around this transaction type, rather than creating a new hybrid role in the Code.

With regard to the workstream focused on assessing transparency on the use of data generated by clients on electronic trading venues, it was agreed that there was potential for improvement. To enhance transparency, the Working Group suggested to add relevant questions to both the Platform and the Liquidity Provider Disclosure Cover Sheets.

4. **Update on ISDA FX and Currency Option Definitions**

Jonathan Martin (ISDA) highlighted a market survey that had been conducted in 2023 on a potential review of ISDA's FX and Currency Option Definitions. The results had demonstrated that Market Participants supported a review and, accordingly, the FX Definitions were in the process of being updated. A final draft was expected in November 2025 and implementation by 2027.

It was noted that the new definitions would be made available in digital format with search and hyperlink functionalities, which will streamline user navigation. A significant aspect of the review process was the consolidation of all FX documentation, which requires the terms to be reconciled where they are defined differently. Another area of focus was the integration of the Emerging Markets Trading Association (EMTA) template terms for non-deliverable forwards and options. A priority for the ISDA legal working group had been the topic of disruption events and associated fall-backs. Recent geopolitical events, for example, had highlighted the need to review some of the current disruption event triggers and fall-backs. Lastly, Mr Martin outlined plans to address unexpected holidays and noted that the FX novation protocol was also under review.

5. **Panel: Accelerated Securities Settlement Cycles, T+1 Implementation**

Marc Bayle de Jessé (CLS) explained that CLS had decided not to amend its cut-off times for CLSSettlement ahead of the move to T+1 securities settlement in North America. Mr Bayle de Jessé presented analysis that showed that the value equivalent of FX trades that settle on a T+1 basis was around 1% of CLSSettlement's average daily settlement value. In addition, over half of the asset managers that CLS had surveyed believed that their FX Settlement Risk could continue to be mitigated through CLS, without changes to custodian cut-offs or CLS deadlines. He added that CLS would maintain monitoring of the situation and provide members with regular updates.

Manuel Mondedeu (CIBC) clarified that, in the case of Canada, no material FX Settlement Risk had materialised, despite the anticipation that such risks could intensify with the transition to an accelerated securities settlement cycle. He added that some Canadian financial institutions had moved some of their back-office functions to the US to be in an optimal position for implementation and that the industry had adequately prepared for the transition.

Matthew Vallance (State Street) asserted that the transition to an accelerated securities settlement cycle had been a non-event. A likely explanation was that sufficient preparations were made well in advance. For instance, not only had their clients been given multiple options for executing trades, they had also been provided with new cut-off times for execution and settlement in advance. Mr Vallance explained that State Street dedicated significant time and resources to staying ahead of market trends. Being prepared for the accelerated securities settlement cycle had been one aspect of this.

Kimberly Cheng (Hong Kong Monetary Authority) gave an overview of how firms in Hong Kong had smoothly adapted to the accelerated securities settlement cycle. Ms Cheng said it had been a collaborative approach between regulatory authorities and the respective regulatees. Efforts included firms to streamline operations through automation, allocate additional resources during the initial T+1 transition phase, and raise Market Participants' awareness. Furthermore, the banking and brokerage sectors in Hong Kong possessed extensive global networks to support operational needs. The Hong Kong Monetary Authority maintained a standing USD Liquidity Facility to provide US dollar liquidity to banks in Hong Kong in case of need.

6. Technological Innovations Changing the FX Market

Leonardo Gambacorta (BIS) provided insights on the evolving field of artificial intelligence (AI), which is characterised by its automaticity, speed, and pervasive presence. It was noted that to gain insight into its potential implications, it is beneficial to contrast generative AI with machine learning.

Mr Gambacorta acknowledged the use of AI in finance is not without associated costs and risks. He noted that the success of generative AI hinges on the reliability of the data it utilises, a significant portion of which is generated by a limited number of private companies, which could result in market concentration. Like other AI forms, generative AI in finance can also produce nonsensical output (aka, AI hallucinations).

From a financial stability perspective, AI has the potential to enhance the effectiveness of financial risk monitoring, stress-testing, and predictions. However, Mr Gambacorta mentioned that AI also has the potential to result in fatter-tailed phenomena and herd-like dynamics. One example of this was the use of analogous algorithms, which could cause many participants to react in a similar way, potentially amplifying the impact of an otherwise common shock.

Morten Bech (BIS Innovation Hub) outlined how central banks could connect to the BIS Innovation Hub to gain insight into new developments, such as platforms designed to monitor FX markets. The Hub was currently exploring the potential of market infrastructure solutions to enhance their functionality, with a focus on interconnected fast payment systems. The concepts of decentralised finance and automated FX market-makers were also being tested. By way of illustration, Project Agora, a cross-border payment project that experiments with a unified ledger with tokenised central bank and commercial bank money, was referenced. To date, over 30 commercial banks had been recruited to participate in the project, along with central banks.

Stephane Malrait (ING) discussed the history of technology innovation in FX markets, outlining the stages of innovation, ideas for innovation that can be applied, potential challenges and opportunities. He considered that the advent of technology in the financial sector began around 34 years ago with the establishment of Electronic Broking Services (EBS), and since then, the FX market had undergone a continuous process of electronification.

Mr Malrait highlighted a growing trend of banks adopting FX hedging strategies for their clients. There had been a significant shift towards electronic trading in the FX swap and forward markets. However, the interdealer market remained manual-based, with dealer-to-client transactions conducted through trading venues and not yet fully electronic. In general, traditional AI was being used in large financial institutions.

His review of the medium-term horizon revealed that implementing generative AI in finance initially focused on structured data but had since shifted to unstructured data. The automation of chats allows for the detection of client intentions to buy or sell, and the use of structured data to generate text for report analysis was an effective method of trade surveillance and early detection.

Finally, Mr Malrait noted that the tokenisation of existing assets was a key area of focus for many initiatives being undertaken by in the BIS. Over the next five years, tokenisation would progress from a pilot stage to more general use, with CBDCs potentially serving as a driver in this area.

7. Wrap-up

The Chair summarised the first day of the meeting. The Committee had made progress in terms of Code Adherence, with the addition of buy-side firms. Moreover, the Code adherence toolkit had been enhanced by the Proportionality Self-Assessment Tool but it is important to keep promoting its use.

In regards of the 2024 Code Review, the main recommendation from the FX Settlement Risk Working Group was to incorporate a risk waterfall concept for mitigating FX Settlement Risk. The FX Data Working Group had considered the possibility of recognising a hybrid role for which Principal and Agent definitions might apply, such as in a delegated execution transaction, but the GFXC agreed to instead focus on transparency around such activities rather than the type of Market Participant in scope. The GFXC also discussed the possibility of enhancing the Disclosure Cover Sheets to encourage greater transparency on the use of user-generated FX data.

The Chair noted the significant developments in the work to update the ISDA FX Definitions, and recognised that the transition to the T+1 securities settlement cycle in North America had gone well thus far. Lastly, the Chair mentioned that technological advancements introduced both opportunities and challenges for the FX market.

Day 2, 2 July 2024

1. **Other changes to the FX Global Code**

The Chair presented to the Committee a number of additional proposed amendments to the FX Global Code for their consideration. A key topic of discussion was the potential inclusion of the links to the Guidance Papers on Pre-hedging and Last Look. A survey on this topic revealed that most Local Foreign Exchange Committees (LFXCs) agreed to include the links in the Code, along with a disclaimer to clarify that the Guidance Papers are not part of the Code nor the Statement of Commitment. With regard to the reviewing of the Disclosure Cover Sheets to further clarify the use of Pre-hedging by Liquidity Providers, there was a mixed response, and it was agreed that such review would not be pursued at this time.

It was noted that some other international organisations were currently examining the topic of Pre-hedging, which could result in the formulation of further recommendations, standards and/or principles. It would therefore be prudent for the GFXC to await the outcome of these developments and, with a more comprehensive understanding of the situation, determine if future changes to the Code language will be necessary.

2. **FX Global Code Glossary**

The Chair suggested that expanding the Code's Glossary would enhance clarity, support professional education, and make the Code more self-contained. It was mentioned that there were inherent challenges in including additional definitions in the Glossary, particularly in ensuring consistency with regulation and local laws across jurisdictions. A further issue for consideration was whether the Committee and the LFXCs would have sufficient time to expand the Glossary. It was therefore agreed to only consider including some additional definitions in the Glossary directly related to the topics of existing GFXC Working Groups under the Three-Year Code Review. Moreover, it was agreed that a new working group should be established to further address this topic outside of the 2024 Code Review.

3. **Update on the Motivation for Adherence Working Group**

Stefanie Holtze-Jen (Deutsche Bank-Private Bank) acknowledged there was a need for increased visibility of the Code through the media, press, social media outlets, and conferences. A Corporate FX Knowledge Hub had been established with a focus on the FX Global Code for corporates. The Working Group had endeavoured to form partnerships with industry groups and rating agencies. In a related development, a survey of hedge funds in Europe revealed there is still more work to do to engage with these Market Participants as they viewed the Code as more relevant and applicable to dealers and other participants in the wholesale FX market.

Ms Holtze-Jen summarised the results of a survey conducted by Coalition Greenwich among 317 corporate respondents. The survey had revealed that the majority of respondents were unaware of the Code. In addition, the primary reason for respondents not adopting the Code was that most were not active participants in the FX markets (41%) or perceived no benefit in adopting the Code (19%). On the other hand, reasons for Code adoption related to fostering a level playing field among corporates and their banks (52%), ensuring high governance standards in line with their own corporate policy (52%), and improving internal and external operating procedures related to FX (44%).

The next steps for the Working Group will be aligned with its expanded mandate and include the promotion of the Proportionality Self-Assessment Tool and the use of Disclosure Cover Sheets, particularly among buy-side participants.

4. **Code Review Wrap-up and Next Steps**

The Chair outlined the criteria used to determine which changes would be made as part of the 2024 Code Review and set out the proposed timeline for its completion. [4] The Working Groups agreed to incorporate the feedback received from the GFXC and LFXCs; updated proposals for Code changes would be redistributed to GFXC members for their review. Thereafter, a public Request for Feedback would be launched on the proposed Code changes. The updated Code is expected to be released at the end of the year.

5. **Local FX Committees Market Committees and Outreach Activities Update**

Luke Marriott (ANZ) outlined that liquidity conditions and market functioning in FX markets, including that of the Australian dollar, had remained orderly throughout 2024. The Australian dollar forwards market had shown no signs of stress despite the continued withdrawal of settlement balances as the Reserve Bank of Australia's Term Funding Facility (TFF) approached maturity. Mr Marriott also noted the emergence of modest funding pressures at the front end of the Australian dollar curve during the second half of March. These were attributed to quarter-end dynamics and positioning around the March International Monetary Market (IMM) roll but were quickly resolved.

Zhang Chunyi (People's Bank of China (PBoC)) observed that despite the widening China/US interest rate differential, the Chinese yuan exchange rate had remained broadly stable since the start of 2024. China had continued its efforts to make the Chinese yuan more widely used, and in 2023 it became the fourth most represented currency in international payments. Mr Zhang also stated that the PBoC had authorised clearing banks in 31 countries, and the Cross-Border Interbank System (CIPS) had connected institutions in 182 countries and regions, with the aim of improving the efficiency and accessibility of clearing. Furthermore, it was highlighted that more than 1,000 overseas participants from more than 70 countries and regions had participated in China's bond market as of March 2024, and the issuance of Panda Bonds reached 150 billion yuan in 2023.

Andries Tshishonga (South African Reserve Bank (SARB)) explained that the South African rand had appreciated against the US dollar and outperformed other emerging market economies' currencies. The appreciation was attributed to an improved outlook on South Africa following the general elections and the subsequent formation of a unified government. Following the implementation of a surplus monetary policy framework by the SARB, the South African forward rate had remained anchored around the repo policy rate. Mr Tshishonga further stated that volatility in the ZAR had decreased since mid-April 2024. He outlined that the SARB is spearheading an outreach programme within the South African Development Community of central banks. For his part, Richard de Roos (Standard Bank Group) commented that the South African FX Committee had discussed the Code with the Association of

[4] Please refer to the criteria in the Minutes of the GFXC Committee Meeting, 30 November - 1 December 2023 in item 5.

Corporate Treasurers of South Africa (ACTSA), noting the increased emphasis on proportionality by South African corporates.

Anna Nordstrom (Federal Reserve Bank of New York) presented an overview of market movements in the US, which had continued to be predominantly influenced by incoming economic data. Despite recent data prints indicating a slight softening in inflation, inflation dynamics, and growth have remained generally robust. Since the last GFXC meeting, market pricing for the number of interest rate cuts by end-2024 had decreased significantly. Yudhveer Chaudhry (BlackRock) observed that the combination of robust US liquidity and low volatility had led to compressed spreads. Despite some volatility around the French elections, overall funding conditions had remained favourable. In emerging market economies, the Mexican carry trade had unwound following the Mexican elections. Ms Nordstrom stated that she had participated in a panel discussion on the Code at Trade Tech USA in February 2024, alongside representatives from the Bank of Canada and the Bank of Mexico. The panel discussed its achievements resulting from the Code's wider industry adoption efforts and outlined key priorities for the 2024 Code Review.

Tae Young Yoon (Bank of Korea) observed that, as of July 2, trading hours for the Korean won had been extended. Despite lower trading volumes during the extended hours, the market saw ample liquidity, with spreads remaining stable. The change was part of a structural revamp of the South Korean FX market, designed to enhance the currency's tradability and accessibility to global investors.

6. **Panel: Studies on Pre-hedging practices**

Myles McGuiness and Christopher Rich of the Financial Markets Standards Board (FMSB) outlined that FMSB operates on an honour-based system with regard to the FMSB's Statements of Good Practice. An analysis of large FX trades conducted in 2020-21 had revealed several inconsistencies in relation to Pre-hedging. In light of these developments, a standing FMSB working group comprising over 40 participants was established in 2023 to consider the use of Pre-hedging and address areas of uncertainty. This working group was preparing a white paper on the topic, which would be published later in 2024. The group's initial focus had been to examine trades with the aim of gaining insight into the rationale behind participants' engagement in Pre-hedging. It was explained that when considering Pre-hedging, key factors such as liquidity, market depth and the nature of order flows should be taken into account. The pre-trade and post-trade aspects of Pre-hedging were also on the FMSB's agenda.

Roel Oomen (Deutsche Bank) presented the key findings of two recently published academic papers on Pre-hedging. Using a theoretical microstructure model, he showed that there are scenarios where a dealer's Pre-hedging can benefit the client: hedging at lower intensity over a longer window reduces the market impact and the dealer's hedging costs, and this benefit can be shared with the client via reduced spreads and all-in transaction costs. Indicators of detrimental Pre-hedging include hedge amounts that exceed the potential trade size, or a trading, erratic trading or a materially higher rate of Pre-hedging compared to post-hedging. Crucially, a client can indirectly mitigate excessive Pre-hedging by introducing timing uncertainty of the pending transaction.

7. **Wrap-up**

As key takeaways from the two-day meeting, the Chair emphasised that, going forward, having more institutions adhering to the Code would require more work by the GFXC and that the discussion on Pre-hedging would remain ongoing in the GFXC and in the industry. He also recognised the Three-Year Code Review as the GFXC's primary focus for the second half of 2024. The Chair and the Co-Vice Chairs expressed their gratitude to the GFXC Working Groups for their contributions and efforts, to the LFXCs for their support, as well as to the ECB for hosting the meeting. Mr García stated that the next GFXC meeting would be virtual, likely in early December 2024.