

Minutes

Global Foreign Exchange Committee Meeting

14 November 2017

Location: NEX, 2 Broadgate Circle, London EC2M 7UR

Chair: Chris Salmon (Bank of England)

Vice-Chair: David Puth (CLS)

Attendees: AUSTRALIA – Australian Foreign Exchange Committee

Public Representative: Christopher Kent (Reserve Bank of Australia)

Private Representative: Darryl Hooker (EBS BrokerTec)

Other Attendees: Matthew Boge (Reserve Bank of Australia)

BRAZIL – Foreign Exchange Committee

Public Representative: Reinaldo Le Grazie (Banco Central do Brasil)

Private Representative: Marco Antonio Sudano (Banco Itau BBA)

CANADA –Canadian Foreign Exchange Committee

Public Representative: Paul Chilcott (Bank of Canada)

Private Representative: C. J. Gavsie (Bank of Montreal)

Other Attendees: Robert Ogrodnick and Harri Vikstedt (Bank of Canada)

CHINA – Foreign Exchange Committee

Public Representatives: Li Bo (People's Bank of China)

Sun Jie (China Foreign Exchange Trade System)

Private Representative: Zhang Qingsong (Bank of China)

Other Attendees: Lu Zhiwang (State Administration of Foreign Exchange)

EURO AREA –Foreign Exchange Contact Group

Public Representatives: Torsti Silvonen (European Central Bank)

Euro Area Central Bank Observer: Imène Rahmouni-Rousseau (Banque de France)

Private Representative: Cédric Beaurain (Société Générale)

Other Attendees: Volker Enseleit and Roswitha Hutter (European Central Bank)

HONG KONG – Treasury Markets Association

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

INDIA – Foreign Exchange Committee

Public Representative: Radha Shyam Ratho (Reserve Bank of India)

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

JAPAN – Tokyo Foreign Exchange Market Committee**Public Representative:** Hiroshi Shigemoto (Bank of Japan)**Private Representative:** Akira Hoshino (The Bank of Tokyo-Mitsubishi UFJ)MEXICO – Mexican Foreign Exchange Committee**Public Representative:** Jamie Cortina (Banco de Mexico)**Private Representative:** Gilberto Romero (Banco Ve por más)**Other Attendees:** Mayte Rico (Banco de Mexico)SINGAPORE –Singapore Foreign Exchange Market Committee**Public Representative:** Cindy Mok (Monetary Authority of Singapore)SOUTH AFRICA – Financial Markets Liaison Group’s Foreign Exchange Sub-committee**Public Representative:** Zafar Parker (South African Reserve Bank)**Private Representative:** David Gracey (Investec Bank Ltd)SOUTH KOREA – Seoul Foreign Exchange Committee**Public Representative:** Mr Namhyun Cho (Bank of Korea)**Private Representative:** Dong Wook (Justin) Kim (Kookmin Bank Financial Group)SWEDEN - Scandinavian Foreign Exchange Committee**Public Representative:** Meredith Beechey Österholm (Sveriges Riksbank)**Private Representative:** Stina Norrhede (SEB)SWITZERLAND – Foreign Exchange Market Roundtable**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 Representative:** Chris Salmon (Bank of England)**Private Representative:** Lisa Scott-Smith (Millennium Global Investments Limited)**Other Attendees:** David Edmunds, Jonathan Grant, Ed Kent, Tom Lynch, Charlotte Pope-Williams and Leone Razali (Bank of England)US – New York Foreign Exchange Committee**Public Representative:** Simon Potter (Federal Reserve Bank of New York)**Private Representative:** Troy Rohrbaugh (JP Morgan)**Other Attendees:** Christina Getz, Anna Nordstrom, Jamie Pfeifer and Benjamin Snodgrass (Federal Reserve Bank of New York)

Item no. Minute**1. Welcome**

Chris Salmon, Chair of the GFXC, welcomed the Global Foreign Exchange Committee (GFXC, or “the Committee”) members to the meeting. Jonathan Grant of Bank of England’s Legal Directorate noted the need for the Committee to take care to ensure that the GFXC did not facilitate or act as a focal point of any anti-competitive behaviour.

2. Last look – overview of feedback received and recommendations

The Committee discussed the results of the [Request for Feedback on Last Look practices](#). An overview of the feedback was provided. It was noted that there were 33 unique submissions received, 6 of which were submitted on behalf of multiple organisations or associations. Various types of respondents submitted feedback,

including banks, buy-side market participants, platforms, technology and non-bank liquidity providers.

The Committee concluded that the wording of Principle 17 of the FX Global Code (Code) should indicate that market participants should not undertake trading activity that utilises the information from the client's trade request during the last look window. The Committee also concluded that certain trading arrangements, often referred to as "cover and deal" arrangements, should be addressed within the last look guidance and agreed to consider possible refinements to the text of Principle 17 in relation to such "cover and deal" arrangements.

In addition, the Committee discussed issues related to the use of last look and pricing that incorporates information from trade requests that have yet to be accepted. The GFXC agreed to consider ways to include guidance around good market practice for pricing as it relates to last look. The Committee supported the idea of trying to provide more clarity on this issue through the development of illustrative examples.

The Committee discussed feedback around the use of disclosures in providing transparency of last look practices. The Committee agreed that further work on disclosures, particularly in regards to anonymous e-trading platforms, should be undertaken. This is with a view to consider ways to improve the effectiveness and consistency of disclosures provided to clients and understanding the effectiveness of these disclosures at providing transparency to market participants' trading activity.

3. **GFXC Governance**

The Committee discussed the proposed governance structure for the GFXC. The Committee approved all proposals, covering (i) the GFXC decision-making mechanism; (ii) GFXC membership; (iii) outreach to non-GFXC jurisdictions; and (iv) communication strategy.

I. The GFXC decision-making mechanism

The Committee noted that the current 'decision making' section of the GFXC's Terms of Reference narrowly focused on changes to the text of the Code and needed to be expanded to address broader issues related to GFXC decision-making. The Committee discussed the current consensus model and the fact that in some cases it may take longer than others to reach a consensus that reflects a synthesis of views across the membership. The Committee agreed that the current consensus model is the most appropriate way of making decisions going forward. It was also noted that opinions and insights from local foreign exchange committees (FXCs) would continue to be sought where appropriate. The Committee agreed that the GFXC's Terms of Reference regarding 'Decision Making' should be revised to reflect these points.

II. GFXC membership

The Committee agreed that the current full GFXC membership criteria described in the existing Terms of Reference should remain. The Committee also agreed on the procedure for processing and accepting full GFXC membership requests. The Committee highlighted the minimum information that it would require to consider full GFXC membership requests and recommendations.

The Committee noted that one of its aims is the broad adoption of the Code and agreed that membership should facilitate the Code being used as a global public good. With this in mind, the Committee considered a further 'associate member' category and discussed that the size of the GFXC should be balanced with the ability to reach consensus at meetings. The Committee agreed that an 'associate membership' category should be introduced and that meeting attendance for associate members would be contingent on the associate member making a

material contribution to a particular workstream that is to be discussed.

The Scandinavian model, where a regional FXC represents a group of countries, was noted as a possible model for smaller countries to adopt, allowing for greater representation at Committee meetings whilst keeping the size of the Committee manageable.

III. Outreach to non-GFXC jurisdictions

The Committee discussed the importance of continuing to reach out to non-GFXC jurisdictions to foster recognition of, and adherence to, the Code. The general framework for outreach activities was agreed with members stressing the importance of reaching all sections of the market; buy-side as well as sell-side.

IV. Communication strategy

The Committee discussed and agreed all proposals about publication procedures and further general guidance on communication.

4. GFXC Survey – initial results and analysis

The Committee discussed the results of its FX Global Code Survey, conducted between 25th September and 16th October 2017.

The survey results showed that there is high awareness of the Code within the FX market, with the majority of survey respondents indicating that they expect the Code to have a positive impact on practices in the FX market. The survey results also indicated that it could take some additional time for all wholesale FX market participants to become familiar with and adhere to the Code considering that it was published recently in May 2017. The Committee agreed that it is important to undertake further work to reach out to market participants and promote the Code, particularly to non-bank market participants that may have been less involved in past outreach efforts.

The Committee agreed that the [survey results](#) would be published on the GFXC website to share the information gained and to further increase awareness of the Code. The GFXC decided to conduct another survey in one year's time given the usefulness of the 2017 survey.

5. Update on Public Registers

The Committee discussed the progress made in the development of [public registers](#). The Committee noted that a relatively small number of registers have been established to date. The Committee observed that the number of registers would likely increase as market participants sign Statements of Commitment over the coming months. The Committee aims to encourage the development of public registers in line with the recommendations published on the GFXC website. The demand for a Global Index of Registers was also noted, with the Committee agreeing to begin preparation work on the establishment of a Global Index.

6. FXC membership and Code adherence

Members updated the Committee on the progress made by local FXCs in promoting Code adherence. All members noted that FXC members were being strongly encouraged to adhere to the Code.

The GFXC discussed how best to encourage Code adherence by all market participants from both the buy-side and the sell-side. The Committee noted that maintaining and ensuring buy-side representation on FXCs was an important factor in ensuring that these types of market participants remained engaged in Code developments.

7. **Updates from member FXCs (Roundtable)**

Representatives from each of the jurisdictions present provided an update on their recent activities, developments and issues. Key developments have taken place in those jurisdictions currently in the process of establishing new FXCs, with several having already, or soon to have, their inaugural meeting.

For established committees much of the work since the last GFXC meeting has centred on the Code, discussing the Request for Feedback around Last Look practices and updates regarding progress towards adherence. MiFID II has been noted as a focus in some jurisdictions.

Many FXCs, both new and established, noted that they have approached buy-side institutions to discuss membership in efforts to increase the diversity of FXC members.

8. **Next Steps**

The Chair summarised the points that had been agreed at the meeting noting that the Committee would publish a [news release](#) the following day providing an update on the last look feedback. The Committee agreed to publish the revised language to Principle 17 in December, alongside the GFXC's revised Terms of Reference, a paper covering the GFXC's response to the last look feedback, and results from the GFXC's Global Code Survey.

The Committee agreed that some additional working groups should be established to enable the GFXC to more fully understand wider issues within the FX market. These working groups would include one to understand the role of "cover and deal" and similar trading models in FX markets, one to investigate the role that disclosures can play in establishing clarity around the trading practices of market participants, and one to consider the potential addition of pre-hedging examples to the Code.

The GFXC will next meet in South Africa in Q2 2018.