

foreign exchange committee



Minutes of the Foreign Exchange Committee Meeting

Meeting: February 9, 2022

Host: Video Conference Meeting

FXC Attendees

Chris Vogel (TD Securities) - Chair
Jessica Sohl (HC Tech) - Vice Chair
Hemant Baijal (Invesco)
Yudhveer Chaudhry (Blackrock)
Jose Luis Daza (QFR Capital)
Maria Douvas (Morgan Stanley)
Michael Eyre (Vanguard)

Anna Faustini (Societe Generale)
Akiko Hayata (Payden & Rygel)
Ben Klixbull (XTX Markets)
Robert Kim (JPMorgan Chase)
Jeffrey Knapp (Coca-Cola)
Russell Lascala (Deutsche Bank)
Dan Lennon (CLS)

Neill Penney (Refinitiv)
Jodi Schenck (Citibank)
Chris Taendler (Barclays)
Bob Tull (Fifth Third)
Sean Tully (CME Group)
Adam Vos (BNY Mellon)

Federal Reserve Bank of New York (FRBNY)

Lorie Logan
Anna Nordstrom
Lisa Chung
Michelle Ezer
Alex Cohen

Sanja Peros
Thomas Noone
James Bergin
Colleen Keegan
Martin Prusinowski
Kathleen Ramirez

Federal Reserve Board of Governors

Alain Chaboud

The Chair opened the meeting and welcomed three new FXC members (Hemant Baijal of Invesco, Michael Eyre of Vanguard, and Akiko Hayata of Payden & Rygel). It was also announced that Lisa Chung, Director of Foreign Exchange and Global Markets, will join the FXC as an FRBNY ex officio member.

New York Fed staff then conducted their annual review of the FXC Charter and Antitrust Guidelines (both documents are available on the [FXC's public website](#)). The FXC Charter remained unchanged from the prior year. New York Fed staff instructed members to share the Antitrust Guidelines with colleagues from their institutions who also work on FXC matters and to raise any concerns about anticompetitive conduct either directly to New York Fed staff or through the Bank's integrity hotline (1-877-52-FRBNY or 1-877-523-7269).

1. Global Foreign Exchange Committee Update

The FXC heard a summary of the Global Foreign Exchange Committee's ("GFXC's) December 2021 meeting, at which members endorsed a new Chair and Co-Vice Chair to serve two-year terms. The GFXC also reviewed conditions in the foreign exchange market and began discussing its work program, which will cover the interim period before the next review of the FX Global Code ("the Code"). Further input will be solicited from local foreign exchange committees to help inform GFXC priorities. The GFXC will continue its work on expanding the Code's reach to the buy-side and will establish a new working group to lead these efforts. It was noted that the FXC has engaged in a significant amount of outreach related to broadening adoption of the FX Global Code and will continue to prioritize this going forward.

Members then received an update on Disclosure Cover Sheet adoption. It was noted that the functionality of the individual [public registers](#) and the [Global Index of Public Registers](#) was updated to incorporate information on the availability of completed Disclosure Cover Sheets. The enhanced functionality allows liquidity providers and FX platforms to share links to their Cover Sheets on these registers alongside their Statements of Commitment. It was noted that uptake among liquidity providers has been solid, and member feedback indicated that the Cover Sheets have been effective in providing greater transparency on key topics. An area of focus for the GFXC going forward will be to monitor the adoption and effectiveness of the Disclosure Cover Sheets to evaluate whether they are achieving their objectives.

An FRBNY ex-officio member shared key observations on the topic of Last Look. It was reiterated that the GFXC [Guidance Paper](#) clearly states that last look should be used for no other purpose than to verify validity and/or price and that such a check should be applied without delay. It was further noted that anything that prolongs this process that goes beyond verifying those checks would be inconsistent with the intent of the Code. Additionally, it was observed that the Last Look Guidance Paper and Disclosure Cover Sheets together appear to have moved the industry toward more transparency, as the Disclosure Cover Sheets have allowed for additional clarity to be provided around a firm's last look practice and should help facilitate further dialogue between liquidity providers and liquidity consumers.

2. FXC Strategic Objectives

The discussion then moved to the FXC's 2022 strategic priorities. Members shared their thoughts on broader topical discussions and FX market themes that are of interest for further exploration at upcoming meetings, which included but are not limited to: digital assets and their impact on FX market structure, broadening buy-side adoption of the Code, and reduction of FX settlement risk. Several of these topics will be shared with the GFXC in order to help shape its future agenda.

3. Markets Discussion

The meeting then transitioned to a discussion of market developments since the November FXC meeting. The discussion primarily focused on the inflationary outlook, overall FX market stability, trends in emerging markets (“EM”) currencies, and geopolitical risks.

- Committee members shared views on inflationary conditions and the outlook for monetary policy. Members generally noted that, despite recent increases in inflation readings, longer-term market-based expectations appear to be contained. Some also noted a risk scenario where more persistent inflation could impact inflation expectations going forward, and potentially result in a faster-than-expected monetary tightening cycle in the U.S. Members also discussed the outlook for Fed balance sheet policy in this context.
- Members generally expected short-term funding markets to remain stable, while noting that markets will remain attuned to how conditions develop following an initial rate hike.
- Members observed relative stability in FX markets (compared to equities and rates) and suggested that FX is largely taking cues from movements in related rates markets amid shifting global monetary policy.
- In terms of EM, members broadly expected relative currency stability, though noted the prospect for further volatility in some bi-lateral currency pairs, such as the Russian ruble and Turkish lira. Central bank tightening across a number of EM jurisdictions over the past year (with the notable exception of China) was regarded as supportive of EM currencies amid the recent repricing of U.S. rates.
- Members closed with a discussion of geopolitical risks, focusing on tensions between Russia and Ukraine, as well as the potential market spillovers from an invasion. In such a case, it was expected that Russian markets would be most significantly affected, though such conflict would pose a notable risk to global assets.

The next FXC meeting is scheduled for April 6, 2022.