Minutes of the Foreign Exchange Committee
Meeting: May 27, 2026
Host: Invesco

FXC Attendees
Yudhveer Chaudhry (Blackrock) - Chair
Maria Douvas (Morgan Stanley) – Vice Chair
Hemant Baijal (Invesco)
Chris Chattaway (Goldman Sachs)
Sally Francis-Cole (LSEG)
Bimbola Fawehinmi (UBS)
Anna Faustini (Societe Generale)
Andrew Haning (Jump Trading)
Akiko Hayata (Payden & Rygel)
Paul Houston (CME)
Dan Lennon (CLS)
Fuad Muvdi (Citi)
Chris Pizzotti (State Street)
Yan Pu (Vanguard)
Ankit Sahni (Element Capital)
Jeremy Smart (XTX Markets)
David Silberman (JPMorgan)
Chris Taendler (Barclays)
Raphael Vives (Banque de France)
Jason Vitale (Bank of New York)

Federal Reserve Bank of New York
Roberto Perli
Lisa Chung
Sanja Peros
Shawei Wang
Dan Reichgott
Colleen Keegan
Ethan Gary

FRS Board of Governors
Bastian von Beschwitz

Other Guests
Natalie Lovell (Bank of England)
Eleanor Garrett (Bank of England)
James Kaye (HSBC)

33 Liberty Street, New York, NY 10045 212-720-6651 Fax: 212-720-1655 nyfx.committee@ny.frb.org https://www.newyorkfed.org/fxc

The Chair opened the Foreign Exchange Committee (FXC) meeting by welcoming members and introducing guest presenters Natalie Lovell (Bank of England), Eleanor Garrett (Bank of England) and James Kaye (HSBC).

1. **FX Settlement Crisis Management Playbook**

Representatives from the London Foreign Exchange Joint Standing Committee's (FXJSC) Operations sub-committee presented their work product "*Principles for Managing an FX Settlement Outage*" which sets out a principles-based approach to assist market participants in reducing the size and duration of their settlement risk during a settlement crisis event. The guidance is intended to support market readiness and promote consistent industry good practice in the event that a payment versus payment (PvP) settlement system is taken fully offline. Members then heard an update from a representative from CLS who indicated CLS conducts routine resiliency planning scenarios that take into account market disruptions similar to those outlined in the FXJSC's guidelines.

2. **Update on preparations for U.K., EU, Switzerland and Liechtenstein transition to T+1 Securities Settlement**

As part of its 2026 priorities, FXC members expressed interest in monitoring developments for the U.K. and EU transition to T+1 securities settlement. A representative from the GFXC's FX settlement working group discussed findings from the December 2025 white paper examining "*FX Preparedness for the UK, EU, Switzerland & Liechtenstein Move to T+1 Securities Settlement.*"

The U.K., EU, Switzerland, and Liechtenstein plan to transition to T+1 securities settlement simultaneously on October 11, 2027. This decision follows a broader industry trend toward faster securities settlement, exemplified by North America's successful transition to T+1 in May 2024. The North American transition was broadly smooth and operationally uneventful from an FX perspective, which was largely attributed to extensive preparations by FX market participants and heightened public-private sector collaboration. The discussion highlighted that the upcoming U.K. and European transition is expected to present similar challenges but could prove more complex due to multiple currencies in those jurisdictions and greater local market fragmentation amongst multiple Central Counterparties (CCPs) and Central Securities Depositories (CSDs). In the U.K. and Europe, the estimated daily settlement values impacted are notably smaller, $7 billion and $28 billion, respectively, when compared to the North American transition which impacted approximately $70 billion in estimated daily settlement value.

Finally, the discussion emphasized several considerations for FX market participants ahead of the transition. Preparation is critical and firms should review their overall operations and FX trade allocation processes. They should engage with custodians and third-party providers to ensure timely FX trade execution and align themselves with FX Global Code principles in order to reduce FX settlement risk.

3. **Preparations for the GFXC June Meeting**

Members previewed the GFXC June meeting agenda, which highlighted the launch of the GFXC Survey of market participants and the start of preparations for the 2027 FX Global Code Review. The survey intends to capture market participants' feedback on the awareness and adoption of the Code, the effectiveness of the Code and its associated materials (as revised in 2024), and areas of focus for the 2027 Code review. Market participants are invited to participate in the GFXC Survey by sending an email to survey@globalfxc.org with their name, email address and organization name; an individualized link to the survey will be provided to those participants once it becomes available in early August. Members then reviewed a proposal aimed at increasing FX market participant adherence to the Code. Members noted that increased education and market participant awareness is still needed among certain buy-side market participants.

4. Discussion of Recent Market Developments

The meeting then turned to a discussion of market developments since the April FXC meeting. Committee members began by noting the resilience of the U.S. economy, citing relatively stable labor market conditions and inflation expectations declining from recent highs. Members observed that U.S. equity markets continue to perform well driven by earnings growth and capital spending that is not interest rate sensitive. Regarding the direction of Fed policy under the new Chairman, members noted the potential for a shift away from forward guidance, which they noted could lead to elevated Treasury market volatility. Most members expected the Fed to keep interest rates steady for an extended period, though some noted that inflation may prove stickier than what pricing at the time suggested.

With respect to the outlook for the U.S. dollar, members noted that interest rate differentials between the U.S. and foreign jurisdictions have widened in favor of the U.S. since the last FXC meeting, providing support to the dollar. However, members indicated that their level of conviction around the dollar outlook has been reduced given idiosyncratic factors driving certain dollar currency pairs. For instance, members highlighted reports of central bank intervention activity by several energy-importing jurisdictions to lean against domestic currency depreciation, noting the potential selling of dollar reserves likely limited dollar appreciation. Regarding the Japanese yen, members discussed recent suspected intervention by Japanese authorities, noting that the yen has already retraced much of its post-suspected intervention appreciation against the dollar.

The meeting concluded with a discussion of foreign investment flows into U.S. assets. Members noted that despite ongoing anecdotal discussion about diversification away from dollar assets, this shift is not reflected in incoming data, with members noting ongoing strong private investor demand for U.S. Treasuries. They noted that foreign investment in U.S. equities has remained robust amid strong earnings.
Members observed that FX hedge ratios have not shifted materially since the last FXC meeting in April, noting their slow-moving nature, with some members speculating that if central banks continue to tighten monetary policy, the cost of FX hedging would decline, and more investors would be more inclined to hedge.

5. Other Business

The next regularly scheduled FXC meeting will be held on September 30, 2026.