

# Advisory Role of the Committee

## **THE FOREIGN EXCHANGE COMMITTEE SUPPORTS THE FOREIGN EXCHANGE**

community in various ways. In its advisory role, the Committee functions as teacher and counselor by

- providing information to the market,
- interacting with its sponsoring organization, the Federal Reserve Bank of New York,
- encouraging improvements in the quality of risk management, and
- developing market recommendations.

Equally important is how well the Committee listens to the needs of the market. Indeed, the effectiveness of the Committee in its role as advisor depends on how responsive it is to the industry's needs and innovations.

At its regular meetings, Committee members, who represent a cross section of the market, are encouraged to raise concerns and discuss other industry-related issues that are high on their agendas.

The Committee recognizes the value of having multiple viewpoints represented when addressing industry concerns or bottlenecks. Because the Committee represents a cross section of industry providers, it is often in a position to orchestrate solutions to market problems, as well as provide the necessary resources to support revisions or changes to procedures or practices. For example, over this past year, industry issues brought to the Committee meetings included:

- e-commerce and its expected impact on prevailing best practices and procedures,
- the expected operation of the CLS (Continuous Linked Settlement) Bank and how the CLS will affect different institutions,
- ring-fencing<sup>1</sup> and possible ways to avert industry disruptions,

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<sup>1</sup>Ring-fencing refers to attempts by market participants to insulate a head office from liability on trades executed by a branch office.

- possible solutions to the problems caused by unscheduled holidays, and
- ways to improve the operations of the barrier options market.

The Committee is also charged with providing feedback to its sponsoring organization, the Federal Reserve Bank of New York. To accomplish this objective, the Committee holds regular meetings with the Federal Reserve Bank of New York to give it a more

thorough understanding of members' market views. Market topics covered this past year included outlooks for the major global currencies—specifically the euro, the U.S. dollar, and the yen—and market liquidity and trading volume.