

foreign exchange committee



Minutes of the Foreign Exchange Committee Meeting

Meeting: September 10, 2020

Host: Video Conference Meeting

FXC Attendees

Anthony Bisegna (State Street)
Jose Luis Daza (QFR Capital)
Anna Faustini (Societe Generale)
Benjamin Klixbull (XTX Markets)
Daniel Lennon (CLS)
Adam Vos (BNY Mellon)
Chris Vogel (TD Securities) - Chair

Christopher Chattaway (Goldman Sachs)
Maria Douvas (Morgan Stanley)
Hari Hariharan (NWI Management)
Russell Lascala (Deutsche Bank)
Neill Penney (Refinitiv)
Bob Tull (Fifth Third Bank)
Jessica Sohl (HC Tech) - Vice Chair

Yudhveer Chaudhry (Blackrock)
Michael O'Brien (Eaton Vance)
Claudia Jury (JPMorgan Chase)
Andrew Maack (Vanguard)
Jodi Schenck (Citi)

Federal Reserve Bank of New York (FRBNY)

Lorie Logan
Anna Nordstrom
Michelle Ezer
Alex Cohen

Sanja Peros
Thomas Noone
Shawei Wang
Dan Reichgott

Colleen Keegan
Lawrence Sweet
John Rutigilano
Kathleen Ramirez
Sardi Geza

Federal Reserve Board of Governors

Alain Chaboud
Stephanie Curcuru

U.S. Dept. of Treasury

Andrew Baukol
Daniel Hall

Financial Market Lawyers Group

(FMLG)

Syed R. Ali (JPMorgan Chase)
James Brown (Barclays)
Chinedu Ezetah (Citi)
Terence Filewych (Wells Fargo)

Glade Jacobsen (Goldman Sachs)
Jeffrey Lillien (Wells Fargo)
Annettee Maluenda (Barclays)

Jeffrey Saxon (BNP Paribas)
Nancy Rigby (US Bank)
Michael Wirgin (HSBC)

Other Attendees:

Guy Debelle (Reserve Bank of Australia)
Victoria Cummings (GFMA)
Leslie Payton Jacobs (EMTA)
Jon Roellke (Morgan Lewis)

1. Opening Remarks

The meeting opened with the FXC Chair noting the departure of three FXC members: from Bank of America, Standard Chartered, and Market Factory. The Chair thanked all three for their contributions to the FXC.

2. Topical Discussion – Argentina Lessons Learned

The topical discussion began with external counsel providing an antitrust reminder to participants.

The Argentina “lessons learned” discussion reviewed that country’s 2019 currency controls and the ensuing “exchange rate divergence” in the Argentine peso non-deliverable forward (NDF) market. Members reviewed the actions taken by market participants and the Trade Association for the Emerging Markets (EMTA) and considered (i) whether there were potential alternatives to disruption fallbacks; (ii) whether best practices for calculation agents could reduce future uncertainties; and (iii) which group was best suited to work on these issues. Members agreed that it would be beneficial to consult with the Global Foreign Exchange Committee (GFXC) in an effort to determine whether clarifying best practices for calculation agents would be useful.

3. FXC Consultation – ISDA Definitions and Deliverable FX Disruptions

The private sector representatives of the FMLG sought a consultation with the FXC in order to obtain a front office perspective on a proposal to include provisions relating to deliverable currency disruption events and interest rate swaps referencing non-deliverable currencies in a revised set of interest rate derivatives definitions published by the International Swaps and Derivatives Association (ISDA). The discussion focused on possible unintended consequences to related FX transactions not covered by the definitions and risk management practices, and the advisability of further industry consultation to harmonize any disruption events and fallbacks with existing master agreement provisions that may apply to such events.

4. Global Foreign Exchange Committee Meeting (GFXC) Update

Members discussed the agenda topics for the upcoming GFXC meeting, which included the annual terms of reference review, a summary of market conditions from local FXCs, FX settlement risk, and progress updates from the Global Code three-year review working groups: buy-side engagement, disclosure, anonymous trading, algorithmic trading, and trade execution principles.

With respect to FX settlement risk, members agreed that it may be beneficial to strengthen the language in the [FX Global Code](#)—primarily principles 35 and 50, which cover the management of settlement risk. Additionally, members discussed investigating whether it is possible to increase the frequency of data collection around FX settlement data through inclusion in the regional, semi-annual FX volume surveys. The discussion also covered the importance of using payment-versus-payment settlement, where available, and the benefits of firms further examining the ways that they recognize, measure, and control FX settlement exposures.

Members also provided updates on the disclosures, execution principles, and buy-side outreach working groups. It was noted that all working groups are on track to provide more substantive updates at the December GFXC Meeting.

5. Markets Discussion

Private sector members discussed the U.S. dollar's recent depreciation in the context of the sharp decline in U.S. real interest rates, though it was underscored that the dollar had performed differently over recent months depending on the category of currency/commodity of reference. These references included: 1) advanced economy currencies, 2) emerging market currencies broadly, 3) currencies such as Chinese renminbi and Indian rupee, 4) crypto currencies, 5) precious metals, 6) industrial metals, and 7) oil.

In general, private sector members discussed the dollar's depreciation in the context of moves earlier in the year, as well as levels seen over the past several years. It was highlighted that the recent price action represented a reversal of COVID-related appreciation in the spring, leaving the dollar relatively little changed on the year, and still notably higher than levels earlier in the past decade.

Several forward-looking currency market themes were discussed, including positioning and asset-allocation trends by global investors, political risks, and global economic trends, particularly in China.

Members also discussed FX market liquidity conditions, with one firm's indicators suggesting conditions running roughly 20 percent below longer-run measurements. Members noted that, although developed market currency liquidity had mostly returned close to pre-COVID levels, conditions in emerging market currencies still remained thinner on a relative basis.

The next FXC meeting is scheduled for November 18, 2020.