



Minutes of the Foreign Exchange Committee

Meeting, January 5, 2012

Host: Federal Reserve Bank of New York

Committee attendees:

ZAR AMROLIA	Deutsche Bank AG
ANTHONY BISEGNA	State Street Corporation
ROBERT BOGUCKI	Barclays
ALAN BOZIAN	CLS
ERIC BUSAY*	CalPERS
TIM CARRINGTON	RBS
ROBERT CATALANELLO	Credit Agricole CIB
LYNN CHALLENGER*	Mellon Capital
STEVEN CHO	Goldman Sachs
JEFF FEIG	Citigroup
TOM GILLIE	Bank of America Merrill Lynch
DANIEL GLEIZER	Banco Itau BBA
MOHAMMED GRIMEH	Standard Chartered Bank
MOTI JUNGREIS	TD Bank
TAHREEM KAMPTON*	Microsoft
GIL MANDELZIS	Traiana
STEPHEN METTLER	Morgan Stanley & Co.
MIKE NOVOGRATZ*	Fortress
PAUL RICHARDS	UBS
TROY ROHRBAUGH	JP Morgan Chase
DAVID RUSATE*	GE
DANIEL SILBER	HSBC
DAVID STECK	Nomura
JOHN TAYLOR*	FX Concepts
CHRIS VOGEL*	Blackrock
PHIL WEISBERG	FXall

* Denotes Buy Side Member

Federal Reserve Bank of New York Attendees

MARCUS LEE
PATRICIA MOSSER
ANNA NORDSTROM
JAMIE PFEIFER
BRIAN SACK

MICHAEL NELSON, Counsel



Welcome to New Members

The meeting began with a brief introduction of the new members joining for 2012-2013. New members of the Committee included Robert Bogucki of Barclays, Lynn Challenger of Mellon Capital, Daniel Gleizer of Banco Itau BBA, Gil Mandelzis of Traiana, Paul Richards of UBS, Chris Vogel of Blackrock, and Phil Weisberg of FXall.

Antitrust Guidelines

Counsel circulated and discussed the Committee's antitrust guidelines. Members were encouraged to review the guidelines and to reach out to the Committee Counsel or to their own firm's internal counsel should they have any questions. Members were encouraged to share the document with those in their organization that may assist in Committee efforts. Counsel noted that the guidelines specify behaviors that are inappropriate and unlawful for the Committee or for other groups that bring together market participants—such as efforts to set prices or to limit access to the market. The guidelines do note that it is appropriate for the Committee to work together in support of best practices, but that these practices should not be designed to preclude entry into the FX market.

Work Group Updates

The Secretary provided a broad review of the current working groups and projects underway by the Committee. She cited:

- **Operations Managers Working Group.** The “OMWG” is a standing working group of the Foreign Exchange Committee focused on understanding and promoting best practice in FX operations management. The group, comprised of FX operations managers, is chiefly responsible for the Management of Operational Risk in Foreign Exchange document available on the FXC website. This document is currently under review by both the Operations Managers and the Financial Market Lawyers Group with revised publication due this year.
- **Chief Dealers Working Group.** The “CDWG” is a standing working group of the Foreign Exchange Committee comprised of head FX traders across various foreign exchange instruments. The group provides insight to FRBNY on trends in the foreign exchange liquidity landscape and helps to draft the Guidelines for Foreign Exchange Trading Activities document available on the FXC website. This group is currently reviewing a 2006 FXC publication “Autodealing: Market Impact and Best Practice Recommendations” with the intention of releasing an updated document later this year.
- **Foreign Exchange Clearing and Prime Brokerage Paper.** The Foreign Exchange Committee created a Prime Brokerage subcommittee in late 2010 and this group is now working on a paper on Foreign Exchange Clearing. The paper is intended to examine the life cycle of a foreign exchange transaction under various FX clearing scenarios including traditional FX prime brokerage and DCM- and FCM-style clearing models in order to highlight key differences in those models and issues unique to the global foreign exchange market.

The FXC Chair facilitated a discussion on recent market developments. Members cited a number of themes driving market sentiment over the recent period.

- Members reported that primary focus remains on developments and risks in Europe. Discussion centered on the impact of recent and potential future Long Term Refinancing Operations (LTRO) as well as on various scenarios for possible further policy actions in the region. Members noted that some degree of market turmoil could continue as any effort to fundamentally address fiscal challenges would take some time to be implemented.
- Members discussed the growth outlook in China and shared views regarding policy in the Asian economies. Members generally felt that, despite potential inflationary pressures, any possible policy tightening would be limited in the event of signs of softening growth in the region and elsewhere.
- Members noted that political change across various regions was likely to become a key market theme in light of various elections throughout the world in the coming year including the upcoming U.S. Presidential election.
- Members did not cite any significant changes in liquidity conditions in the foreign exchange market in the last two months of 2011.

Other Business

Members raised questions about the various timelines required for the implementation of the Dodd Frank Act with a focus on expected timing for required clearing of foreign exchange non-deliverable forward transactions.

Members also discussed their concerns with the CFTC's proposed rule 1.3(m) which further defines which commodity pools engaged in FX transactions will qualify as Eligible Contract Participants (ECPs) under the Commodity Exchange Act, as amended by the Dodd-Frank Act. Members noted in particular that, under the proposed definition, a commodity pool engaged in FX transactions would not qualify as an ECP if any of its direct or indirect participants are not themselves ECPs, and such pools would instead be subject to regulatory retail foreign exchange transaction requirements. Members noted that this proposed look-through to indirect participants would have a significant impact on some foreign exchange market participants that are not currently subject to retail foreign exchange transaction requirements.