

Minutes of the Global Meeting of Foreign Exchange Committees

Wednesday, May 25, 2016

New York

Present

AUSTRALIA – The Australian Foreign Exchange Committee

Reserve Bank of Australia

Matthew Boge

Guy Debelle

Westpac

Hugh Killen

BRAZIL

Central Bank of Brazil

Aldo Mendes

CANADA – Canadian Foreign Exchange Committee

Bank of Canada

Paul Chilcott

Rob Ogrodnick

RBC Capital Markets

Ed Monaghan

EURO AREA – ECB Foreign Exchange Contact Group

BNP Paribas

Adrian Boehler

European Central Bank

Christophe Beuve

Tobias Helmersson

Orazio Mastroeni

FRANCE

Bank of France

Imene Rahmouni-Roussau

HONG KONG – Treasury Markets Association

Hong Kong Monetary Authority

Keith Kwok

Kitty Lai

Bank of China (Hong Kong)

Chordio Chan

JAPAN – Tokyo Foreign Exchange Committee

Bank of Japan

Masao Fujiwara

Bank of Tokyo-Mitsubishi UFJ

Hirochika Iwadare

MEXICO

Bank of Mexico

Gerardo Javier Molina Adame

JP Morgan

Joaquin Caicedo

SINGAPORE – Singapore Foreign Exchange Market Committee

Monetary Authority of Singapore

Cindy Mok

OCBC Bank

Kun Kim Lam

SOUTH KOREA

Bank of Korea

Jae Hyuk Shin

Kookmin Bank

Young Jun Yoo

SWEDEN

SEB

Stina Norrhede

Sveriges Riksbank

Meredith Beechey Osterholm

SWITZERLAND

Bank for International Settlements

Konstantinos Tsatsaronis

Swiss National Bank

Marcel Zimmerman

UBS

Huw Evans

UK – London Foreign Exchange Joint Standing Committee

Bank of England

Grigoria Christodoulou

Jonathan Grant

Lisa Gupta

Chris Salmon

Legal and General Investment Management

Stephen Grady

US –New York Foreign Exchange Committee

Federal Reserve Bank of New York

Christina Getz

Lorie Logan

Anna Nordstrom

Jamie Pfeifer

Simon Potter

Benjamin Snodgrass

JP Morgan

Troy Rohrbaugh

US

Board of Governors

Paul Dozier

Federal Reserve Bank of New York

James Bergin

Binu Johnson

Radhika Mithal

Nate Wuerffel

Market Participants Group (MPG)

CLS, MPG Chair

David Puth

Deutsche Bank

Russ Lascala

Background

Each year, the global meeting of foreign exchange committees brings together representatives of foreign exchange committees (FXCs) from eight major financial centers¹ to discuss issues related to the foreign exchange market. Each committee is represented by both the private sector and the relevant central bank or monetary authority, with its chairperson, the secretary or one or more other members in attendance. In light of the ongoing work to develop the FX Global Code, participants from central banks, monetary authorities and private sector institutions from other regions represented on the BIS Foreign Exchange Working Group

¹ Australia Foreign Exchange Committee, Canadian Foreign Exchange Committee, ECB's Foreign Exchange Contact Group, Hong Kong Treasury Markets Association, London Foreign Exchange Joint Standing Committee, New York Foreign Exchange Committee, Singapore Foreign Exchange Market Committee, Tokyo Foreign Exchange Market Committee

(FXWG) were also represented at this meeting to provide input on relevant issues in the foreign exchange market. The New York Foreign Exchange Committee hosted the May 2016 meeting.

1. FX Global Code

Representatives from each of the eight FXCs unanimously supported the publication of the phase one materials of the [FX Global Code](#). There was a discussion on the lessons learned from the phase one process, including ways to enhance the framework for soliciting and processing feedback during phase two. Participants also discussed the timeline for work during phase two and the publication of the FX Global Code in May 2017.

2. Promoting adherence to the FX Global Code

There was a presentation on the adherence work-stream which is focused on developing proposals to promote and incentivize adherence to the FX Global Code. The presentation included an overview of the adherence work-stream and set out its purpose. The presentation also included an overview of the three underlying guiding principles for the work-stream. The first guiding principle is that the Code will apply to all wholesale FX market participants. The second guiding principle is that the way in which wholesale FX market participants adhere to the Code and demonstrate adherence to the Code should be proportionate and appropriate to the type of participant and the context of the local financial markets in which they operate. The third guiding principle is that the mode of adherence should be transparent to enable monitoring and market discipline.

The presentation also covered some of the adherence mechanisms that had been considered during phase one and set out the next steps for phase two. These included, engaging closely with market participants to identify market-based adherence mechanisms, explore the role of market infrastructure providers in promoting the FX Global Code and develop the role of FXCs in promoting adherence.

3. Updates by individual FXCs

Representatives from each of the eight Global FXCs provided an update on recent activities, developments and issues beyond their significant work to develop and promote adherence to the FX Global Code. Some of the updates included changes to committee structures and membership composition to engage a more diverse set of views across the wholesale FX market as well as changes to reference rates set by central banks. Many updates also included a discussion of improvements to semi-annual surveys on market activity.

4. Global FXCs structure

There was a discussion on how the global FXCs composition and structure might evolve to support the development and maintenance of the FX Global Code. Participants discussed a number of organizational considerations relating to the evolution of the global FXCs structure, such as membership and governance.

5. Electronic trading presentation and discussion

There was a presentation and discussion on key themes in electronic trading in the foreign exchange market and how the market has evolved over the past decade. Some themes discussed included the ongoing evolution of e-trading in the FX market, the increase in automation and algorithmic execution and the fragmentation of the FX execution landscape. Participants discussed the FX market structure and the impact of multiple liquidity access points on the market. Some partially attributed the increase in trading volume on multi-dealer execution platforms to multiple liquidity access points. Participants also noted that the proliferation of FX e-trading venues and increase in internalization of trades by large FX dealers is another important theme in the electronic trading landscape.

Given that electronic trading will be a key topic developed in the phase two materials of the FX Global Code, there was some initial discussion on important objectives for that work—for example, promoting fair access to the FX market, transparency and disclosure, and effective governance, controls and monitoring. Going forward, the private sector [Market Participants Group](#) (MPG), which supports the work of the BIS Foreign Exchange Working Group (FXWG), will refine and develop such topics on electronic trading for phase two of the FX Global Code.

6. Prime brokerage presentation and discussion

There was a discussion on foreign exchange prime brokerage. The session began with a review on the evolution of the prime brokerage business and the role that it plays in the FX market. There was also a review of some of the existing prime brokerage best practice guidelines that have been published in various regional codes.

Given that prime brokerage will also be a topic developed in phase two materials of the FX Global Code, there was an initial discussion on potential areas for that work to cover. Participants noted that many issues around electronic trading are also important to consider in prime brokerage such as controls around algorithmic trading.

7. FX market liquidity presentation and discussion

There was a presentation and discussion on FX market liquidity conditions which included a discussion on the various factors one can consider when describing liquidity such as the type of execution, the cost of the transaction and the time of day. There was also a case study of depth of book spreads versus volatility and an analysis of the potential impact of regulatory changes on liquidity. Participants also discussed liquidity conditions in G10 currencies versus emerging market currencies. They noted the increase in significance of many emerging market currencies in the FX market through growth in trading volume in some of these currencies.

It was agreed that the next annual meeting will be hosted by the London Foreign Exchange Joint Standing Committee in May 2017.