

**Minutes of the Foreign Exchange Committee Meeting**

Meeting: September 27, 2023

Host: Goldman Sachs

FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair

Hemant Bajjal (Invesco)

Chris Chattaway (Goldman Sachs)

Maria Douvas (Morgan Stanley)

Michael Eyre (Vanguard)

Anna Faustini (Societe Generale)

Akiko Hayata (Payden & Rygel)

Ben Klixbull (XTX Markets)

Robert Kim (JPMorgan Chase)

Dan Lennon (CLS)

Chris Pizzotti (State Street)

Jodi Schenck (Citibank)

Jill Sigelbaum (LSEG)

Aaron Wells (Coca-Cola)

Federal Reserve Bank of New York (FRBNY)

Roberto Perli

Anna Nordstrom

Lisa Chung

Pertshuhi Torosyan

Sanja Peros

Thomas Noone

Patrick Douglass

Kathleen Ramirez

Zareera Bukhari

Other Guests

Benjamin Anderegg (Swiss National Bank)

Philippe Lintern (Bank of England)

Peter Phelan (Citibank)

FRS Board of Governors

Alain Chaboud

The Chair opened the meeting by welcoming members and announcing FXC membership changes. He noted the departure of Marisa Kurk (Northern Trust) and the addition of three new FXC members, Chris Pizzotti (State Street), Aaron Wells (Coca-Cola) and Carlos Fernandez-Aller (Bank of America).

### **1. Update on the Financial Markets Lawyers Group (FMLG) and Operation Managers Working Group (OMWG)**

A New York Fed representative updated members on the decision to dissolve the FMLG, a long-standing sponsored group. The FMLG had partnered with the FXC on many occasions throughout its forty-year history and was instrumental in providing support throughout the development of the FX Global Code. If a future need arises for legal consultation, the committee can consider launching an ad hoc legal working group.

The OMWG Chair informed members of the decision by the FXC and OMWG leadership to stand down the working group, effective September 28, 2023. For over two decades, the OMWG played an integral role in advancing industry guidance and best practices for FX operations. In recent years, since the introduction of the FX Global Code and the establishment of the Global Foreign Exchange Committee (GFXC), there has been a diminished need for a standing working group on operations issues. The OMWG Chair was thanked for his leadership and contributions to the working group and will remain an active member of the FXC. Should the FXC need to work on an operations issue in the future, the committee could convene an ad hoc working group, similar to how other topical work assignments for the FXC are handled.

### **2. Update from the Alternative Reference Rate Committee (ARRC)**

The ARRC Chair provided an update on the passage of the [June 30th](#) London Interbank Offered Rate (LIBOR) transition milestone. Through a coordinated effort by public and private partners, Secured Overnight Financing Rate (SOFR) is now the predominant reference rate in both derivative and cash markets. It was also noted that the conclusion of USD LIBOR panels at the end of June went smoothly, with no issues reported across market participants. During the LIBOR transition, the ARRC [endorsed](#) the Commodity Futures Trading Commission Market Risk Advisory Committee's recommendation for linear swap trading conventions to move from USD LIBOR to SOFR in an initiative called SOFR First. The MRAC extended its initial recommendation to include similar SOFR First trading convention switches for other products including cross currency swaps. This recommendation has been widely adopted by market participants for cross currency swaps transactions.

### **3. Global Foreign Exchange Committee (GFXC) Survey Release**

The GFXC has started preparations for the 2024 three-year review of the FX Global Code. The GFXC launched a survey of market participants on September 20<sup>th</sup> with a goal of collecting feedback on the effectiveness of the 2021 review of the FX Global Code. The survey is intended to help identify priorities for the 2024 review and will remain open until October 18<sup>th</sup>.

### **4. FXC semi-annual FX volume survey enhancement**

A representative from the Bank of England discussed efforts to improve data collection on FX settlement risk. The GFXC, in conjunction with the Bank for International Settlements (BIS) Markets Committee and the

Committee on Payments and Market Infrastructures (CPMI), is leading the effort. The GFXC recognizes that more frequent collection of FX settlement data can assist the FX market in better understanding industry progress to reduce settlement exposures. The effort encourages local foreign exchange committees that collect FX semi-annual volume survey data to enhance their reporting by including a new FX settlement data template. The template is being tested as part of the October 2023 London Foreign Exchange Joint Standing Committee (FXJSC) survey and is anticipated to be incorporated by other participating local foreign exchange committees in the first half of 2024.

## **5. Swiss Foreign Exchange Committee Update**

The Chair introduced a representative from the Swiss National Bank, who summarized the recent areas of focus for the Swiss Foreign Exchange Committee. Topics included the upcoming transition of U.S. securities to T+1 settlement and its implications for FX settlement risk, monitoring of market structure changes, the acquisition of Credit Suisse by UBS, and market dynamics surrounding the Swiss franc.

## **6. Markets Discussion**

The meeting then transitioned to a discussion of market developments since the May FXC meeting. The discussion primarily focused on market participants' views on the U.S. economy and monetary policy, outlook for foreign central bank policy, and recent developments in China.

- With respect to the U.S. economy and monetary policy, committee members noted that the U.S. dollar appears to be driven more by long-end rather than short-end rate differentials in recent months. This largely reflects the rise in long-end U.S. rates due to factors such as increased U.S. Treasury supply and Fed communications, which have been interpreted as signaling that rates will remain higher for longer than previously expected.
- With respect to foreign central bank policy, members noted that Latin America and other emerging markets remained ahead in their policy cycles since rate cuts were already underway. Members noted that the Bank of Japan was an outlier among foreign central banks as it retained its accommodative stance. Members noted that Japanese yen depreciation against the U.S. dollar has been quite orderly and, as a result, members noted that there is a smaller likelihood that Japanese officials will engage in FX intervention to support the currency despite the currency pair being at its highest level since last fall.
- With respect to China, the recent slowdown in growth and real estate sector stress have had limited spillovers to global markets. Looking ahead, members noted that China may not have the resources to support growth as it has in the past, with a view that financial sector vulnerabilities might limit government willingness to increase leverage. Nevertheless, the government's willingness to provide at least some accommodation has alleviated concerns about the near-term economic outlook.

The next FXC meeting is scheduled for November 15, 2023.