



Minutes of the Foreign Exchange Committee Meeting

Meeting: February 5, 2020

Host: Federal Reserve Bank of New York

FXC Attendees:

ANTHONY BISEGNA	State Street
MARK BRUCE	Jump Trading
NATALIA CHAFER	DE Shaw
CHRISTOPHER CHATTAWAY	Goldman Sachs
YUDHVEER CHAUDHRY	BlackRock
JOSE LUIS DAZA	QFR
MARIA DOUVAS	Morgan Stanley
MICHAEL O'BRIEN	Eaton Vance
ANNA FAUSTINI	Societe Generale
HARI HARIHARAN	NWI Management
BENJAMIN KLIXBULL	XTX Markets
RUSSEL LASCALA	Deutsche Bank
DANIEL LENNON	CLS
ANDREW MAACK	Vanguard
DENIS MANELSKI	Bank of America
NEILL PENNEY	Refinitiv
JODI SCHENCK	Citi
JESSICA SOHL	HC Tech
JAMES SINCLAIR	Market Factory
ROBERT TULL	Fifth Third Bank
ADAM VOS	BNY Mellon
CHRISTOPHER VOGEL (Chair)	TD Securities

Federal Reserve Bank of New York (FRBNY) Attendees:

ALEX COHEN
MICHELLE EZER
LORIE LOGAN
ANNA NORDSTROM
SANJA PEROS
KATHLEEN RAMIREZ
MATT RASKIN
DAN REICHGOTT
GEZA SARDI
CAROLYN SHEN
PERTSHUHI TOROSYAN
SHAWEI WANG
JOHN WILLIAMS

U.S. Department of Treasury Attendee:

ANDREW BAUKOL

The FXC Chair provided opening remarks and introduced Andrew Baukol from the U.S. Department of Treasury to the Committee.

The Chair introduced Federal Reserve Bank of New York President and CEO John Williams, who provided a few opening remarks to the Committee. President Williams expressed his appreciation and thanks to the members for their ongoing contributions to both the FXC and GFXC work streams.

The Chair thanked two departing members (Seth Johnson of NEX Group and Tahreem Kampton of Microsoft) and welcomed three new FXC members (Christopher Chattaway of Goldman Sachs, Benjamin Klixbull of XTX, and Andrew Maack of Vanguard).

1. Global Foreign Exchange Committee Recap

The meeting turned to an update on the most recent Global Foreign Exchange Committee (GFXC) Meeting, which took place on December 4-5 in Sydney, Australia. First, key highlights from the GFXC meeting were provided, which included (1) the results from the GFXC Survey on the FX Global Code; (2) an update from the Buy-side Outreach working group that featured newly published [web content](#); (3) a discussion of the five priorities considered for the three-year review of the Code and creation of GFXC working groups; and (4) the publication of [GFXC Report: Disclosures and Transparency on Anonymous Trading E-Platforms](#).

Some members noted that ample time may be needed for the industry to implement Code revisions and update their Statement of Commitment.

Next, a recap of the GFXC's topical discussion on FX Benchmarks was provided to the Committee. The discussion focused on the trading activity around the WM/Reuters London 4PM fixing window since the issuance of the Financial Stability Board's 2014 release of the "[Foreign Exchange Benchmarks](#)" report. The members discussed current market practices for fixing services, including whether the fees charged by institutions offering fixing services appropriately reflected their incurred costs, given the reported trend of continued price compression. Members suggested it would be beneficial to continue to monitor this development.

2. Topical Discussion on Execution Algorithms

Members then discussed execution algorithms. It was recognized that there is limited research on the potential implications of execution algorithm usage on FX market structure and functioning, and was thus worth exploring further. Members shared their views on both the benefits and risks with a majority concluding that the benefits outweigh the risks. Members noted that providers of execution algorithms should maintain proper disclosures, and recommended that education on such products be provided to the consumer. Although it was agreed that execution algorithms are beneficial for many firms, some members recognized that the overall implications of execution algorithm usages still could be quantified further.

3. Argentine Peso

The Committee then moved to a discussion on the impact that capital controls had on the Argentine peso toward the end of 2019. Members expressed at the previous FXC meeting that there would be a

benefit to reviewing the events and conducting a “lessons learned” exercise. The FXC has agreed to seek the advice of antitrust counsel for an upcoming discussion that is anticipated to take place later this year.

4. Markets Discussion

Members began the markets discussion by providing an overview of the conditions in US dollar funding markets over the year-end turn. Following repo market volatility in September, there were concerns heading into year-end over potential pressures in the FX swap market. However, it was noted that the year-end turn did not experience any elevated pressures given the Federal Reserve’s balance-sheet/liquidity actions and relative abundance of US dollar liquidity. Members then moved to a discussion of market risk sentiment, noting it was generally positive at the start of the year, driven primarily by the U.S.-China Phase 1 trade deal and by the aforementioned liquidity and balance sheet operations by the Federal Reserve. However, events related to the coronavirus, potential U.S. election uncertainty, and other geopolitical factors were cited by members as at times weighing on sentiment by various degrees.

Members continued to discuss the persistent low level of FX volatility and how it has reduced the use of FX an asset class.

Members then discussed the ongoing decline in primary venue volumes, noting that the subject merited additional attention, given that these venues are the primary source of price discovery in FX. It was also noted, however, that despite this trend, the most recent BIS Triennial report showed an increase in total FX volumes.

5. FXC Charter

New York Fed staff conducted their annual review of the FXC Charter. The FX Global Code Statement of Commitment language was revised to clarify that firms represented on the FXC are expected to demonstrate their commitment to the Code by providing the New York Fed with a signed Statement of Commitment. In addition, the FXC will have a Vice Chair role, to be filled in the future, where the primary responsibilities will include assisting the Chair and leading FXC meetings in the Chair’s absence.

6. Other Business

The meeting concluded with a brief discussion about FXC strategic objectives for 2020. The next FXC meeting is scheduled for April 14, 2020.