



Minutes of the Foreign Exchange Committee

Meeting, February 29, 2012

Host: Standard Chartered

Committee attendees:

ZAR AMROLIA	Deutsche Bank AG
ROBERT BOGUCKI	Barclays
ALAN BOZIAN	CLS
TIM CARRINGTON	RBS
ROBERT CATALANELLO	Credit Agricole CIB
STEVEN CHO	Goldman Sachs
JEFF FEIG	Citigroup
TOM GILLIE	Bank of America Merrill Lynch
MOHAMMED GRIMEH	Standard Chartered Bank
MOTI JUNGREIS	TD Bank
GIL MANDELZIS	Traiana
PAUL RICHARDS	UBS
DANIEL SILBER	HSBC
DAVID STECK	Nomura
PHIL WEISBERG	FXall

Federal Reserve Bank of New York Attendees

SHARI BEN-HAIM
MARCUS LEE
PATRICIA MOSSER
ANNA NORDSTROM
JAMIE PFEIFER
BRIAN SACK

MICHAEL NELSON, Counsel

Market Discussion

The FXC Chair facilitated a discussion on recent market developments. Members discussed various topics that have captured market attention since the last meeting.

- Members indicated that developments in Japan had recently garnered increased attention. In particular, members cited the recent depreciation of the yen versus other currencies, noting that the direction of the moves was consistent with the Bank of Japan's recent announcement that it had agreed to increase the purchasing capacity of its Asset Purchase Program and the recent shift to a trade deficit in Japan. Still, some members questioned the



scale of the move and suggested that further depreciation could be limited in the absence of further policy easing measures from the Bank of Japan.

- Members reported continued focus on developments in Europe. The results of the ECB's Long-Term Refinancing Operation (LTRO) earlier that day were characterized as roughly in line with expectations and members indicated that the LTRO program continues to help alleviate pressures in the funding markets. Looking forward, members would be attuned to developments surrounding the second aid package for Greece and the announced bond exchange with private sector creditors (PSI).
- Members discussed the recent rise in Treasury yields and equity markets, noting that the moves were consistent with recent stronger-than-expected economic data. Members also noted a variety of factors dampening dealer demand to hold fixed income inventory including increased focus on Basel III requirements as well as on the implementation of the Volcker Rule.
- Members cited developments in other regions as well, including recent weaker-than-expected data from China and increasing discussion of elevated real estate prices in regions of Canada.

CLS Update

Alan Bozian provided a brief update on work underway at CLS. He cited continued work engaging member firms' risk officers as part of the eco system forum work on capacity management, analysis of the third party member structure within CLS, efforts toward currency expansion in CLS, and work underway to institute an additional settlement cycle in CLS for processing same day U.S. dollar/Canadian dollar transactions. Alan cited a recent meeting hosted by the Federal Reserve Bank of New York and the Bank of Canada which brought together firms to discuss the same day settlement session effort. He noted that a follow up meeting was expected to be held in May after firms were able to analyze their own data to determine the scale of pay in requirements and to discuss potential tools to efficiently manage the associated liquidity needs as well as any other relevant issues. At the aforementioned meeting, it was suggested that the New York Foreign Exchange Committee and the Canadian Foreign Exchange Committee could work together to form a work group to highlight any issues that were relevant on an industry level. This group would report back following the data analysis and highlight any issues for which collective action may be required.

Semi-Annual Turnover Survey

The Secretary noted that the October 2011 FX turnover survey results were released in early February and drew member attention to the associated press release.

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 (OMWG).** The OMWG continues its work on the 60 best practices review and on buy side outreach. The OMWG best practices work group was



planning to meet in order to review the feedback provided by the FMLG on the first half of the document. The buy side outreach group planned to continue work in two areas: first, on efforts to extend metrics reporting beyond the G16 and second, to further engage the buy side on operations efforts to increase automation. For the latter effort, the group hopes to broaden the contacts on the buy side and to arrange a meeting to present on various relevant initiatives that may be of interest to that community, including the FX novation protocol. The OMWG also expressed interest in establishing standing work groups to focus on issues relating to Dodd Frank implementation, trade reporting, and Prime Brokerage and Clearing initiatives.

- **Chief Dealers Working Group (CDWG).** The CDWG was scheduled to meet in mid March and would be discussing ongoing work on a draft paper on algorithmic trading intended to update the FXC's 2006 paper on the topic.
- **Foreign Exchange Clearing and Prime Brokerage Paper.** The drafting team continues work on a paper describing the differences between various clearing and traditional prime brokerage regimes as they relate to foreign exchange transactions.

Other Business

The Secretary noted that the annual global meeting of the central bank sponsored foreign exchange committees was to be held in mid March in Frankfurt.

Members expressed an interest in coming together this year to develop a generic tool to help analyze the impact of various risk event scenarios on the global foreign exchange market. Members suggested that a work group layout core questions about how any considered risk event might impact the functioning and landscape of the FX market.