Minutes of the Foreign Exchange Committee Meeting
Meeting: February 10, 2021
Host: Video Conference Meeting

<u>FXC Attendees</u>

Chris Taendler (Barclays)	Maria Douvas (Morgan Stanley)	Andrew Maack (Vanguard)
Anthony Bisegna (State Street)	Anna Faustini (Societe Generale)	Michael O'Brien (Eaton Vance)
Mark Bruce (Jump Trading)	Hari Hariharan (NWI Mgmt)	Neill Penney (Refinitiv)
Yudhveer Chaudhry (Blackrock)	Ben Klixbull (XTX Markets)	Bob Tull (Fifth Third)
Natalia Chefer (DE Shaw)	Jeffrey Knapp (Coca-Cola)	Sean Tully (CME Group)
Chris Chattaway (Goldman Sachs)	Marisa Kurk (Northern Trust)	Adam Vos (BNY Mellon)
Jose Luis Daza (QFR Capital)	Dan Lennon (CLS)	
Chris Vogel (TD Securities) - Chair	Jessica Sohl (HC Tech) - Vice Chair	

<u>Federal Reserve Bank of New York (FRBNY)</u>

John Williams	Alex Cohen	Patricia Zobel
Lorie Logan	Sanja Peros	Matthew Raskin
Anna Nordstrom	Thomas Noone	John Clark
Michelle Ezer	Shawei Wang	Ian Armstrong
Robert Lerman	Dan Reichgott	Kathleen Ramirez
		Sardi Geza

<u>Federal Reserve Board of Governors</u>
Alain Chaboud

<u>U.S. Dept. of Treasury</u>
Max Harris

<u>Other Attendees:</u>
Guy Debelle (Reserve Bank of Australia)

The Chair opened the meeting and welcomed four new FXC members (Jeffrey Knapp of Coca-Cola, Marisa Kurk of Northern Trust, Christopher Taendler of Barclays, and Sean Tully of CME Group).

New York Fed staff then conducted their annual review of the FXC Charter and Antitrust Guidelines (the "Guidelines"). Both documents are available on the [FXC's public website](). In the FXC Charter, the member responsibilities language was revised to note that members are expected to attend all meetings in person unless otherwise instructed by the FXC Secretariat. Regarding the Guidelines, New York Fed staff instructed members to share the Guidelines with colleagues from their institutions who also work on FXC matters and to raise any concerns about anti-competitive conduct either directly to New York Fed staff or through the Bank's integrity hotline (1-877-52-FRBNY or 1-877-523-7269). Staff also highlighted, as in previous years, the appropriate role of best practices and market conduct recommendations and addressed anti-competitive conduct that could cause legal or reputational harm to the FXC and the New York Fed.

1. **Global Foreign Exchange Committee Update**

The FXC heard a summary of the GFXC's December 2020 meeting, at which a new Co-Vice Chair was selected to serve a two-year term. The GFXC meeting focused largely on the upcoming three-year review of the [FX Global Code](), with GFXC working group members providing status updates on the five workstreams that comprise the three-year review—Buy-side Outreach, Anonymous Trading, Disclosures, Algorithmic Trading & Total Cost Analysis, and Execution Principles—in addition to proposed FX Settlement enhancements. Refinitiv Benchmark Services presented on WM/R Benchmarks, outlining focus areas in administering benchmarks, including steps taken to enhance user engagement.

Members exchanged thoughts and feedback on the progress of the Anonymous Trading working group, which is considering ways that the Code can address anonymous venue policies on data sharing, credit, tagging, and the identification of Code signatories. Given the wide range of industry opinions on the subject of Code signatory identification, the working group intends to deliver a series of options to the GFXC rather than a singular proposal.

Members then moved to discuss progress on the Disclosures working group, which has continued efforts to explore the role that disclosures can play in establishing clarity around trading practices between market participants. In particular, working group members highlighted ongoing efforts to develop standardized cover sheets for disclosures to be used by FX liquidity providers.

The Deputy Governor of the Reserve Bank of Australia, who is Chair of the GFXC, highlighted the GFXC's intention to provide guidance on how industry participants can re-attest to the FX Global Code once it has been updated. Completion of the three-year review of the FX Global Code is anticipated by mid-2021.

2. **FXC Strategic Objectives**

The FXC Secretariat offered an opportunity for members to participate in an interactive survey regarding the FXC's 2021 FXC strategic objectives, which will inform future FXC meetings. Members shared their thoughts on boarder topical discussions and FX market themes that are of interest for further exploration at upcoming meetings.

3. Remarks by President Williams

The Committee then welcomed remarks from FRBNY President John Williams, who underscored the alignment of the FRBNY's goals with the FXC's ongoing work in preserving the efficiency and integrity of FX markets.

4. Markets Discussion

FXC Members then transitioned to a discussion of market developments since the prior FXC meeting in November. Two key drivers of the U.S. markets included the increasing pace of U.S. COVID vaccinations and fiscal policy developments, which included the passage of a $900 billion stimulus package in December. Members discussed the impact of ongoing monetary and fiscal policy stimulus in financial markets, the outlook for FX volatility, and recent retail investor activity.

- Members cited ongoing monetary and looming fiscal policy stimulus as factors supporting exuberance in financial markets, though competing views on the impact of fiscal stimulus on the U.S. dollar were cited. The drivers and potential impacts of increased dollar hedging activity by foreign investors were also discussed.
- Committee members noted the likelihood for FX volatility to remain steady at its current levels, barring either an abrupt rise in the dollar or U.S. IRDs, or the downside risks related to COVID-19 variants and the vaccine rollout. FX volatility was also discussed in the context of comparatively heightened equity volatility.
- Although members cited the recent coordinated retail investor activity as a phenomenon thus far mostly isolated to equity markets, some noted that this new dynamic could play out elsewhere.

The next FXC meeting is scheduled for March 10, 2021.