

foreign exchange committee



Minutes of the Foreign Exchange Committee Meeting

Meeting: September 29, 2021

Host: Video Conference Meeting

FXC Attendees

Anthony Bisegna (State Street)
Yudhveer Chaudhry (Blackrock)
Natalia Chefer (DE Shaw)
Chris Chattaway (Goldman Sachs)
Jose Luis Daza (QFR Capital)
Maria Douvas (Morgan Stanley)
Anna Faustini (Societe Generale)

Robert Kim (JPMorgan Chase)
Ben Klixbull (XTX Markets)
Jeffrey Knapp (Coca-Cola)
Marisa Kurk (Northern Trust)
Russell Lascala (Deutsche Bank)
Dan Lennon (CLS)
Jessica Sohl (HC Tech) - Vice Chair

Jodi Schenck (Citibank)
Bob Tull (Fifth Third)
Sean Tully (CME Group)
Chris Vogel (TD Securities) - Chair
Adam Vos (BNY Mellon)

Federal Reserve Bank of New York (FRBNY)

Lorie Logan
Anna Nordstrom
Michelle Ezer
Robert Lerman
Alex Cohen
Jim Bergin

Thomas Noone
Dan Reichgott
Beth Caviness
Andrew Coflan
Patricia Zobel

Martin Prusinowski
Matthew Raskin
Geza Sardi
Kathleen Ramirez
Ian Armstrong

Federal Reserve Board of Governors

Alain Chaboud
Stephanie Curcuru

Other Attendees:

Peter Johnson (Jump Trading)

The Chair opened the meeting by noting the departure of the FXC member from Jump Trading. The Chair thanked him for his significant contributions to the FXC and for facilitating the digital currency discussion. The Chair then introduced Jump Trading's Peter Johnson, who led the digital currency discussion.

1. Topical Discussion: Digital Currency

Jump Trading's Peter Johnson joined the meeting to lead a discussion focused on stablecoins. The discussion began with a presentation that provided background insight into what stablecoins are, the drivers of their growing adoption, and the various types of stablecoins that exist in the market. The presentation covered several use cases for stablecoins, including to enable trading within cryptocurrency markets, facilitate cross-border transactions, and provide access to U.S. dollars internationally. The presentation also highlighted a potential future use case for the settlement of FX transactions on stablecoin networks. The presentation concluded with thoughts on risks related to stablecoins and design decisions for central bank digital currencies (CBDCs) that could affect the stablecoin market.

The discussion then opened to questions from members. Members expressed interest in the monitoring of nefarious activity on stablecoin networks, cost and timeliness of settlement of stablecoin transactions, and use of stablecoins for cross-border payments and remittances. Additionally, members discussed potential impacts to the FX market from the continued growth in the adoption of stablecoins. The Chair concluded the discussion by thanking Johnson for his presentation and suggested to members that the Committee should continue to discuss digital currencies and their implications for the FX market at future meetings.

2. FXC FX Volume Survey & 2022 FX Triennial Survey Enhancements

The meeting then transitioned to a discussion on the results of the FXC's [North American FX Volume Survey](#) that was released in July 2021. An FXC member began the discussion with a presentation on key highlights from the survey results. The presentation offered additional data and insights highlighting the impact of sustained low volatility on FX volumes and liquidity. Other members then offered thoughts on drivers of recent low volumes and volatility within the FX market.

An FRBNY ex-officio member then provided members with an update on the 2022 FX Triennial Survey. Notable proposed changes to the 2022 survey include:

- Participating jurisdictions – Dubai International Financial Centre and Macao SAR were invited to participate in 2022
- Non-market facing trades – separate identification of back-to-back trades and compression trades
- Short-term maturity – increased granularity at the short end
- FX settlement risk – increased granularity and clarification of the guidelines

3. Markets Discussion

The meeting then transitioned to a discussion of market developments since the June FXC meeting. Major topics included ongoing inflationary pressures, the recent rise in U.S. and global interest rates and the appreciation of the U.S. dollar, expectations on U.S. monetary policy, and other near-term economic risks.

- Inflationary pressures were the most widely discussed market risk, with some members expressing a growing uncertainty regarding the duration and severity of current supply and demand imbalances. Energy sector shortages, particularly in Europe, were also viewed as concerning.
- Committee members discussed the increases in Treasury and global sovereign yields since the last meeting, citing two primary drivers:
 1. Recent meetings by the Federal Reserve and Bank of England were characterized by some members as less accommodative than expected and viewed as reinforcing a broader market theme of global central banks reducing accommodation sooner than previously anticipated.
 2. Concerns over global supply shortages and higher energy prices were seen as exacerbating ongoing inflation pressures.
- Members broadly characterized the September FOMC meeting as less accommodative than expected, primarily pointing to two factors:
 1. The updated [Summary of Economic Projections](#) “dot plot”, which suggested the Committee was split on a potential policy rate increase in 2022 and projected several hikes throughout 2023 and 2024.
 2. Subsequent communications suggesting that asset purchase tapering could potentially begin sooner and at a faster pace than some had previously expected.
- The recent appreciation of the dollar was viewed by members in the context of rising U.S. rates, particularly as investors focus on the timing of liftoff.
- Other risks discussed by Committee members included:
 - Default concerns regarding the Chinese property developer Evergrande, where it was noted that direct spillovers appeared limited, and that the fallout would likely be contained.
 - The ongoing U.S. debt ceiling impasse, and growing U.S. political tension over the U.S. infrastructure package and social spending bill. While some members saw this as a potential source of volatility in the market, many believed that resolution would ultimately be achieved.

4. Other Business

The meeting concluded with a reminder to members that updated [Statements of Commitment](#) to the FX Global Code are due by July 2022 and [Disclosure Cover Sheets](#) are available on the public GFXC website.

The next FXC meeting is scheduled for November 17, 2021.