

**foreign exchange committee**



**Minutes of the Foreign Exchange Committee Meeting**

Meeting: March 29, 2023

Host: Video Conference Meeting

FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair  
Jessica Sohl (HC Tech) - Vice Chair  
Hemant Bajjal (Invesco)  
Chris Chattaway (Goldman Sachs)  
Michael Eyre (Vanguard)  
Anna Faustini (Societe Generale)

Akiko Hayata (Payden & Rygel)  
Ben Klixbull (XTX Markets)  
Robert Kim (JPMorgan Chase)  
Russell Lascala (Deutsche Bank)  
Marisa Kurk (Northern Trust)  
Dan Lennon (CLS)

Jodi Schenck (Citibank)  
Jill Sigelbaum (LSEG)  
Bob Tull (Fifth Third)  
Sean Tully (CME Group)  
Adam Vos (Bank of NY Mellon)

Federal Reserve Bank of New York (FRBNY)

Roberto Perli  
Anna Nordstrom  
Lisa Chung  
Pertshuhi Torosyan  
Sanja Peros

Thomas Noone  
Will Burchell  
Colleen Keegan  
Kathleen Ramirez  
Geza Sardi

Other Guests

Wentao Mu (JPMorgan Chase)

U.S. Dept. of Treasury

Leslie Hull

The Chair opened the meeting by welcoming members. Roberto Perli was introduced as the new System Open Market Account (SOMA) Manager from the New York Fed. The Chair turned to an update on FXC membership changes. He noted the departure of Jeffrey Knapp (Coca-Cola) and thanked him for his service on the Committee.

**1. GFXC Topical Discussion: Price adjustment practices in FX markets in the event of unscheduled holidays**

The Global Foreign Exchange Committee (GFXC) asked local foreign exchange committees to discuss whether it would be beneficial to develop best practices or market guidance regarding price adjustments in the event of unscheduled holidays. There are currently differing approaches among various jurisdictions. Committee members suggested that market standard would be beneficial and should be issued by an industry body in consultation with the GFXC.

**2. Topical Discussion: Impact of Global Systemically Important Banks (GSIBs) and Standardized Approach to Counterparty Credit Risk (SACCR) rule changes on FX markets**

The FXC then discussed the impact of SACCR rules changes on funding and liquidity for FX markets. Members were provided an overview of the SACCR rule changes and their effect on U.S.-based GSIBs. It was noted that the change in regulation was intended to better represent risk exposures faced by banks at the point of potential default. The previous approach had been to represent mark-to-market exposures with an adjustment for potential future exposures. The SACCR rules change also affects GSIB capital requirements, potentially resulting in wider pricing of FX forwards by large banks most affected by the change. This could be especially significant for smaller and midsize firms, which tend to work with a smaller number of counterparties and could see trading costs increase from a spread perspective. Lastly, it was noted that FX swap liquidity may also be affected due to an anticipated increase in hedging costs.

**3. Markets Discussion**

The meeting then transitioned to a discussion of market developments since the February FXC meeting. The discussion primarily focused on market participants' views on the U.S. banking sector outlook in light of recent stresses, market views on the economic and monetary policy outlook, and U.S. dollar funding market conditions ahead of the quarter-end.

- Committee members discussed how the failure of the Silicon Valley Bank (SVB) led investors to engage in a heightened review of regional and super-regional banks' deposit composition, focusing on deposit sources (corporate vs. retail) and examining the pace of deposit inflows compared to outflows.
- With respect to the economic and monetary policy outlook, members noted that it will be difficult to quantify the extent of contraction in lending conditions resulting from banking sector stresses. The recent decline in deposits is expected to lead to higher funding costs, which could potentially result in banks decreasing their lending appetite and reassessing exposures tied to commercial real estate (CRE), especially among mid-tier and regional banks.
- Members closed with a discussion on dollar funding conditions. They described funding strains as relatively contained during the mid-March period, noting the increased frequency (from weekly to daily) of dollar auctions by central banks that have standing liquidity swap lines with the Federal

Reserve and the increased use of the FIMA repo facility, as demonstrating the effectiveness of the Federal Reserve's various tool kit. Indeed, March quarter-end funding conditions did not indicate signs of stress. It was also noted that emerging markets were resilient through the recent volatility, which was attributed to a slightly weaker dollar and their overall control over the pace of inflation.

The next FXC meeting is scheduled for May 24, 2023.