



## **Minutes of the Foreign Exchange Committee Meeting**

Meeting: November 15, 2023

Host: Blackrock

### FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair  
Carlos Fernandez-Aller (Bank of America)  
Hemant Bajjal (Invesco)  
Maria Douvas (Morgan Stanley)  
Michael Eyre (Vanguard)  
Anna Faustini (Societe Generale)

Akiko Hayata (Payden & Rygel)  
Ben Klibull (XTX Markets)  
Robert Kim (JPMorgan Chase)  
Dan Lennon (CLS)  
Chris Pizzotti (State Street)  
Jodi Schenck (Citibank)

Jill Sigelbaum (LSEG)  
Jessica Sohl (HC Tech)  
Bob Tull (Fifth Third)  
Adam Vos (BNY Mellon)  
Aaron Wells (Coca-Cola)

### Federal Reserve Bank of New York

#### (New York Fed)

Michelle Neal  
Roberto Perli  
Anna Nordstrom  
Lisa Chung  
Pertshuhi Torosyan

Thomas Noone  
Sanja Peros  
Patrick Douglass  
Daniella Faura  
Jamie Pfeiffer

### FRS Board of Governors

Alain Chaboud

### U.S. Department of Treasury

John Petrich

The Chair opened the meeting by welcoming members and announcing FXC membership changes. He noted the departure of FXC Vice Chair, Jessica Sohl (HC Tech) and Adam Vos (BNY Mellon) and thanked them for their leadership and service. New York Fed leaders Michelle Neal and Anna Nordstrom also thanked departing members, expressing gratitude for their contributions to industry best practice initiatives.

### **1. Preparations for the Global Foreign Exchange Committee (GFXC) Meeting**

The meeting turned to preparations for the upcoming virtual GFXC meeting on November 30<sup>th</sup> and December 1<sup>st</sup>. The GFXC is seeking feedback from local foreign exchange committees to help develop a work program for the 2024 Three-Year Review of the FX Global Code (the Code). The committee's consensus view was that no critical changes to the Code are needed at this time. Members commented that the Code remains fit for purpose and that any proposed changes would require a high degree of scrutiny. That said, members also observed that the three-year review provides a helpful process for encouraging dialogue on key issues, which could result in other outputs from the GFXC like guidance papers and educational and other supporting materials. In this vein, members proposed three areas for further discussion: 1) broadening Code adoption; 2) encouraging greater transparency in FX data availability; and 3) expanding ongoing work to monitor and reduce FX settlement risk. The GFXC is expected to finalize its work program for the 2024 Code review early next year.

### **2. Follow up discussion on the transition to T+1 trade settlement for U.S. securities**

The FXC discussed industry progress towards the transition to T+1 trade settlement for U.S. and Canadian securities. The change is effective May 28, 2024. FXC members spoke in depth regarding the potential effects of the transition. One member read an open letter from a U.K. market participant, which raised several concerns about the upcoming transition. Members noted that there are several approaches the market could take to help manage the transition, including the use of custodians to facilitate the FX trade, prefunding trades, and expanding firms' geographical operating footprint. Some members observed that shifting trade execution cutoff time periods could also help alleviate some of the pressures on clients.

### **3. Markets Discussion**

The meeting then transitioned to a discussion of market developments since the September FXC meeting. The discussion primarily focused on members' views on the U.S. macroeconomic and monetary policy outlook, global market developments and offshore U.S. dollar funding conditions.

- With respect to the outlook for the U.S. economy and monetary policy, members noted recent signs of easing U.S. inflationary pressures but also posited that the U.S. may see more inflationary pressures into the coming year largely due to factors like more neutral financial conditions, a tight labor market, and a further rundown of U.S. consumers' pandemic savings. Members expressed that current market conditions are relatively benign and orderly amid signs that the Fed has achieved its goal of a soft landing. Some noted, however, that these conditions may not persist.

- With respect to foreign central bank policy, members noted the magnitude of Japanese yen appreciation against the U.S. dollar has been limited compared to other currencies amid broad U.S. dollar depreciation. Some members attributed this to interest rate differentials remaining quite wide and Japanese investors not having enough incentives to increase hedging as the U.S. yield curve is not sufficiently steep.
- With respect to China, members attributed relative stability in the U.S. dollar-Chinese renminbi exchange rate to speculations of intervention by Chinese state-controlled banks. However, members speculate Chinese policymakers may be concerned about capital outflow pressures, as sentiment onshore remains quite negative. Members then discussed Latin American currencies noting continued outperformance despite higher U.S. yields given their popularity in carry trade strategies. The Mexican peso was seen as benefiting from capital flows into the region.
- With respect to year-end funding conditions, members did not express concerns that funding conditions would become strained, citing ample U.S. dollar liquidity and better balance sheet management from banks as contributing factors.

The next FXC meeting is scheduled for February 6, 2024.