



Minutes of the Foreign Exchange Committee

Meeting: May 22, 2024

Host: Bank of America

FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair
Maria Douvas (Morgan Stanley) – Vice Chair
Carlos Fernandez-Aller (Bank of America)
Hemant Baijal (Invesco)
Chris Chattaway (Goldman Sachs)
Anna Faustini (Societe Generale)
Andrew Haning (Jump Trading)

Akiko Hayata (Payden & Rygel)
Paul Houston (CME Group)
Ben Klixbull (XTX Markets)
Dan Lennon (CLS)
Yan Pu (Vanguard)
Ankit Sahni (Element Capital)
Jodi Schenck (Citibank)

Jill Sigelbaum (LSEG)
Bob Tull (Fifth Third)
Aaron Wells (Coca-Cola)

Federal Reserve Bank of New York (New York Fed)

Michelle Neal
Anna Nordstrom
Lisa Chung
Pertshuhi Torosyan
Shawei Wang

Sanja Peros
Dan Reichgott
Daniella Faura

FRS Board of Governors

Alain Chaboud
Mark Magro

U.S. Department of Treasury

John Petrich

Guest

Janet Dawson (GFMA)

The Chair opened the Foreign Exchange Committee (FXC) meeting by welcoming members and announcing FXC membership changes. The Chair noted the departures of David Leigh (Deutsche Bank) and Robert Kim (JPMorgan) and thanked them for their service.

1. Update on Proposal to expand Fedwire Fund Service and National Settlement Service

A Federal Reserve Board (FRB) of Governors representative updated FXC members on a recent proposal to expand the operating hours of the Fedwire Funds Service and National Settlement Service. The FRB is encouraging market participants to provide their input through a [Federal Register Notice](#) which will be open for comment until July 8th.

2. Global Financial Markets Association (GFMA) presentation on market readiness for the upcoming U.S. securities transition to T+1 settlement

The FXC was updated on the ongoing preparations for the U.S. securities transition to T+1 settlement. A GFMA Global FX Division representative indicated that the primary areas of focus for foreign exchange (FX) markets have centered on FX spot liquidity and account funding around 4pm-6pm ET as well as operational challenges that may arise during those hours, when many platforms suspend trading to conduct end-of-day system maintenance and withdraw liquidity at the 5pm market close on Fridays. FXC members generally agreed that FX market participants have taken adequate steps in preparation for the transition with liquidity providers noting minimal gaps in sales and trading coverage, although it was noted that there could be an uptick in price premium and market impact for trades executed later in the NY trading day. Members also reflected on preparations by buy-side market participants who were viewed as modifying and automating their operations ahead of the transition period. It was noted that several clients have been running test scenarios in a T+1 environment and have reported success in both accessing liquidity and settling trades within CLS. The discussion concluded with an examination of proposed accelerated settlement cycle changes across different regions, assets classes, and exchanges.

3. Update on the Three-Year Review of the FX Global Code (Code) and preparations for the upcoming Global Foreign Exchange Committee (GFXC) Meeting

The meeting then transitioned to an update on the Three-Year Review of the Code and preparations for the upcoming GFXC meeting. Members received a status update from the three working groups which previewed the proposed deliverables ahead of the July GFXC meeting. The working groups are also preparing a first draft of proposed Code revisions, which are expected to be distributed for local foreign exchange committees (LFXCs) feedback in mid-June.

Members then discussed a proposal to add links to the Pre-hedging and Last Look guidance papers within the Code. Members were supportive of the proposal to add language to the Code that includes links to the guidance papers in an effort to raise awareness of GFXC supporting materials. However, members noted the importance of clarifying that all GFXC supporting materials, including the guidance papers, are not part of the Code and are not subject to the statement of commitment. The GFXC will consider feedback from all LFXCs on this topic before

making a final determination. The next GFXC meeting will take place on July 1 and 2 in Frankfurt, Germany, during which the GFXC will discuss a preliminary draft of the proposed Code changes. The GFXC is expected to complete the Code review by December 2024.

The FXC will hold an intermeeting call on June 24 to review a first draft of proposed Code revisions and milestones achieved by the working groups.

4. Markets Discussion

The meeting then turned to a discussion of market developments since the March FXC meeting. The discussion primarily focused on members' views on the U.S. macroeconomic and monetary policy outlook, global market developments and overall FX market liquidity conditions.

- With respect to the outlook for the U.S. economy and monetary policy, members noted that the current outlook in the U.S. remains strong, despite recent softening in key data. In this context, members had mixed views on the future path of policy and debated the current factors which continue to impact U.S. inflation. There was some discussion as to whether recent immigration trends in the U.S. had inflationary or disinflationary impacts on the broader economy.
- With respect to global market developments, members discussed the potential for better-than-expected growth in China, but noted the outlook remains uncertain. Members then discussed the market reports about potential yen interventions in late April and early May. Members generally perceived that any intervention activity by the Japanese Ministry of Finance was likely more focused on the pace of yen depreciation rather than a specific exchange rate level. Members also noted that, while intervention might be successful in the short term, fundamental factors such as the evolution of interest rate differentials vis-a-vis other major economies will be the longer-term determinant of the yen's performance.
- Committee members concluded with a discussion about FX liquidity and market functioning which were viewed as ample and orderly. One member highlighted that market depth continues to improve and bid-ask spreads are at their narrowest levels in a decade, with emerging markets' currency spreads now closer to pre-COVID levels.

The next regularly scheduled FXC meeting will be held on September 25, 2024.