



Minutes of the Foreign Exchange Committee Intermeeting Call

May 3, 2024

FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair
Maria Douvas (Morgan Stanley) – Vice Chair
Carlos Fernandez-Aller (Bank of America)
Anna Faustini (Societe Generale)
Andrew Haning (Jump Trading)
Akiko Hayata (Payden & Rygel)

Paul Houston (CME Group)
Ben Klixbull (XTX Markets)
Yan Pu (Vanguard)
Ankit Sahni (Element Capital)
Jill Sigelbaum (LSEG)
Chris Taendler (Barclays)

Jason Vitale (BNY Mellon)

Federal Reserve Bank of New York

(New York Fed)

Michelle Neal
Anna Nordstrom
Lisa Chung
Pertshuhi Torosyan
Tom Noone

Sanja Peros
Dan Reichgott
Daniella Faura
Ira Selig
Zareera Bukhari

FRS Board of Governors

Alain Chaboud

U.S. Department of Treasury

Peter Grills

The Foreign Exchange Committee (FXC) met outside of its normal schedule to discuss the market's preparations for the transition of U.S. securities to T+1 settlement on May 28, 2024. The Chair opened the meeting by asking for feedback on how the transition was proceeding and any anticipated impact(s) on FX markets.

1. U.S. securities transition to T+1 settlement

- Overall, FXC members noted that market participants have been proactive in preparing for the transition of U.S. securities to T+1 settlement and therefore many did not foresee systemic disruptions to FX markets with respect to trading, liquidity, operations, and settlement. That said, members noted the importance of continued monitoring of conditions during the post-transition period and that all market participants assess any potential implications for FX markets beyond the transition date.
- With respect to the impact of the transition on FX market liquidity, many members reiterated their previous message that trading activity is expected to shift towards the 4pm to 6pm ET window, which is historically a period of lower liquidity in FX markets. Members noted that they will be attuned to liquidity conditions and market functioning during that time window since it is historically a period with less FX market activity, and thus liquidity, and since many platforms pause trading from 5pm-6pm ET in order to reset their trading day (known as a “maintenance period”). It was noted that some trading platforms have taken measures to push back their maintenance period to address concerns about liquidity conditions during that time frame. Members anticipate that banks, and liquidity providers more broadly, will be prepared to meet clients' liquidity demands. Members also agreed that liquidity is likely to adjust over time with FX market participants adjusting their business operations to meet any potential increase in demand during the 4pm-6pm ET time period.
- Members remained attentive to key events such as the MSCI index rebalancing at the end of May and the IMM date scheduled for mid-June, which tend to see higher FX trading volumes. Members shared their plans to increase staff to manage the anticipated uptick in volumes around this time. Members then discussed suggestions that an increasing number of market participants may choose to outsource more of their FX trades to custodians. Several global custodians have expanded their client service offerings to help manage FX funding related challenges with the shorter securities settlement cycle.
- Members concluded by noting an expectation of increased FX prefunding activity, that the initial transition window may see an increase in FX activity around 4pm ET and that some international investors may consider options such as locations closer to the U.S. time zone to align FX activity more closely with the shortened securities settlement cycle.

The next regularly scheduled FXC meeting will be held on May 22, 2024.