Minutes of the Foreign Exchange Committee
Meeting: September 24, 2025
Host: UBS

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)
Sally Francis-Cole (LSEG)
Anna Faustini (Societe Generale)
Bimbola Fawehinmi (UBS)
Andrew Haning (Jump Trading)
Akiko Hayata (Payden & Rygel)
Paul Houston (CME)
Dan Lennon (CLS)
Yan Pu (Vanguard)
Ankit Sahni (Element Capital)
Jodi Schenck (Citibank)
David Silberman (JP Morgan)
Chris Taendler (Barclays)
Bob Tull (Fifth Third)
Raphael Vives (Banque de France)
Garrett Wilson (Alphabet)
Jason Vitale (BNY Mellon)

Federal Reserve Bank of New York
Anna Nordstrom
Lisa Chung
Martin Prusinowski
Shawei Wang
Pertshuhi Torosyan
Kyle Schulz
Per von Zelowitz

FRS Board of Governors
Bastian von Beschwitz

Other Attendees
Zachary Chestnut (JP Morgan)
Amar Amlani (Goldman Sachs)

The Chair opened the Foreign Exchange Committee (FXC) meeting by welcoming members and guests Zachary Chestnut (JP Morgan) and Amar Amlani (Goldman Sachs).

1. Topical discussion: Stablecoins and digital payments technology

Members were provided with an overview of blockchain-based settlement infrastructure (including stablecoins and tokenized deposits) with particular emphasis on their applications in payments settlement and foreign exchange (FX) markets. The discussion was kicked off by a guest from JP Morgan, who provided background on tokenized deposit product offerings while covering broader industry-wide blockchain-based payment settlement technology development and adoption efforts. It was noted that the benefits of adopting these technologies include continuous value transfer around cutoff times and holidays and the ability to incorporate smart contracts in support of automated corporate treasury management. Members noted interest in further understanding institutional use cases of these technologies, though concerns were brought up about privacy and the need to further enhance the regulatory framework. Participants highlighted the importance of being able to easily "on" and "offramp" between digital and fiat assets in order to increase adoption of blockchain-based settlement infrastructure.

The guest from Goldman Sachs led the next part of the discussion on key topics related to institutional adoption of stablecoins to support cryptocurrency and FX trading. The guest noted the significance of having a regulatory framework for stablecoins established by the GENIUS Act and the importance of treating stablecoins as cash equivalents or High-Quality Liquid Assets as factors influencing possible future institutional adoption. Participants explored various applications of stablecoins, including their use in cash settlements, weekend FX trading, and other future FX market use cases. Questions raised by members led to discussions on pricing mechanisms for weekend FX trading, the impact of instant settlements on trade netting practices, and the potential increase in systemic risk due to faster transaction settlement.

The discussion then turned to members' evaluation of related technology risks and adoption challenges. Participants discussed recent large-scale thefts from crypto exchanges and the difficulties in developing interoperability across different blockchain layers. Members concluded the discussion by covering the regulatory complexities surrounding evolving financial technologies, which were noted as standing in contrast to the regulatory regime in place for traditional financial transaction systems.

2. Discussion of Recent Market Developments

The meeting then turned to a discussion of market developments since the June FXC meeting. The discussion focused on market positioning and FX hedging flows, the path of Federal Reserve policy, and challenges with forecasting the economic outlook. Members presented diverse views on the U.S. dollar outlook, while attributing recent dollar appreciation primarily to reduced short positioning rather than shifts in views amongst market participants on the fundamental outlook. Some members highlighted the dollar's depreciation throughout 2025 as reflective of significant global FX hedging flows. Regional differences in FX hedging flows were also noted by some members, with European investors viewed as moving closer to historical hedge ratios compared to their Asian counterparts. The continued rally in U.S. equity markets was also identified as driving foreign investors to add FX hedges to maintain consistent hedge ratios.

Regarding the path of Federal Reserve policy, some members observed that market participants currently perceive the Federal Reserve as prioritizing its employment mandate over inflation based on recent policy actions and policymaker communications. Members highlighted that concern about Federal Reserve independence has been cited as a driver of dollar depreciation, while noting this issue has particularly resonated with international investors. Committee members suggested that the administration's position regarding monetary policy has also reinforced baseline expectations for further rate cuts.

Economic forecasting challenges were noted during the discussion, with members citing policy uncertainty and divergent economic indicators as complicating growth and inflation projections. Committee members discussed the focus amongst market participants and Federal Reserve policymakers in reassessing breakeven levels for payroll growth. Additionally, strong tech-related capital expenditure was identified as a major growth driver in 2025, though this spending was viewed by some members as likely to decelerate heading into 2026. A few members expressed concern about data availability during the ongoing government shutdown and cited the risk that that could create difficulties for the Federal Reserve in formulating monetary policy. The committee concluded the discussion by noting the diminished market focus on tariff-related headlines and identified several global developments as potential future FX market drivers, including the Russia-Ukraine war, Japanese political dynamics, and European fiscal risks.

3. **Other Business**

The next regularly scheduled FXC meeting will be held on November 19, 2025.