



Minutes of the Foreign Exchange Committee

Meeting, November 13, 2013

Host: JP Morgan Chase

ADNAN AKANT	Fischer Francis Trees & Watts
ZAR AMROLIA	Deutsche Bank
ANTHONY BISEGNA	State Street Corporation
ROBERT BOGUCKI	Barclays
STEVEN CHO	Goldman Sachs
PETER CONNOLLY	Wells Fargo
JOSE LUIS DAZA	QFR Capital Management
JEFF FEIG	Citigroup
MOHAMMED GRIMEH	Standard Chartered Bank
MOTI JUNGREIS	TD Bank
TAHREEM KAMPTON	Microsoft
DAVID PUTH	CLS
PAUL RICHARDS	UBS
TROY ROHRBAUGH	JP Morgan Chase
DAVID RUSATE	GE
KOICHI TAKENAKA	Mizuho Corporate Bank
CHRIS VOGEL	Blackrock
PHIL WEISBERG	Thomson Reuters

Federal Reserve Bank of New York Attendees

CHRISTINA GETZ
LORIE LOGAN
ANNA NORDSTROM
JAMIE PFEIFER
SIMON POTTER
MICHAEL NELSON, Counsel

1. Update on Swap Execution Facilities

Private sector members discussed the new CFTC rules regarding Swap Execution Facilities (SEFs) that became effective October 2nd, 2013. Many private sector members noted that market participants continue to acclimate to the new rules and remain focused on upcoming regulatory developments. Private sector members noted the European Market Infrastructure Regulation as another important regulatory development in the near-term.

2. Outlook for the Financial Transaction Tax

Private sector members discussed recent developments regarding the Financial Transaction Tax (FTT). Such members noted that they remain aware of how political dynamics in Europe could impact the evolution of potential FTT legislation. Some private sector members referenced recent studies on the FTT by foreign exchange industry groups, which highlighted the potential impact of the FTT on the market.

3. Discuss framework for thoughts around the foreign exchange liquidity landscape

The Group discussed potential frameworks to continue the discussion around current trends in the foreign exchange liquidity landscape that was initiated at the October FXC meeting. Many private sector members noted an increase in the internalization of large flows in the market, and the evolution of algorithmic trading in the foreign exchange market.

Some private sector members suggested volumes and bid-ask spreads as metrics to measure market depth and liquidity. Private sector members also highlighted the importance of considering the impact of volatility on specific currencies, as liquidity conditions in certain currencies are more heavily impacted by market volatility than others.

4. Recent developments regarding foreign exchange reference rates

Michael Nelson led the discussion around recent press reports concerning allegations of manipulation of foreign exchange benchmark rates (or fixings). Michael Nelson noted that the Committee would not discuss the firms and names mentioned in press articles and that representatives of Federal Reserve Bank of New York (FRBNY) present would and could not address any investigations and/or supervisory actions. Members of the FRBNY did not comment on the supervisory aspects of the behavior alleged in these news reports.

Private sector members indicated that the headlines had not had any notable impact on market liquidity or market function. They indicated that while they were receiving more general inquiries regarding the fixing process itself from the client community, demand for executing transactions at these fixing rates remained steady. Private sector members suggested that any investigations and/or supervisory activity related to this subject could eventually result in recommended changes to best practice guidance.

5. Market discussion

Private sector members discussed current market conditions and potential factors that could drive price action across asset classes going forward. As in recent meetings, private sector members remain focused on U.S. economic data as part of their assessment of the timing of a potential reduction in the pace of asset purchases by the Federal Reserve. Some members specifically noted



the better-than-expected October U.S. employment data report which included upward revisions to prior months.

Private sector members also discussed the ECB's reduction in its main refinancing operation and marginal lending facility rates at its November meeting, which was largely unanticipated by most market participants. Such members remain focused on how potential divergences between global central bank policies could impact the foreign exchange market.

6. Other Business

Simon Potter announced that Jeff Feig would be stepping down as Chair of the Foreign Exchange Committee at the end of the year, after having served as Chair since 2010.

The next meeting for the FXC is scheduled for Wednesday, January 8th at **4:00 PM**. The Federal Reserve Bank of New York will be hosting.