



Minutes of the Foreign Exchange Committee Meeting

Meeting: November 14, 2019

Host: TD Securities

FXC Attendees:

JENS ANDERSEN	Standard Chartered
MARK BRUCE	Jump Trading
YUDHVEER CHAUDHRY	BlackRock
MARIA DOUVAS	Morgan Stanley
MICHAEL O'BRIEN	Eaton Vance
ANNA FAUSTINI	Societe Generale
CLAUDIA JURY	JP Morgan
RUSS LASCALA	Deutsche Bank
DAN LENNON	CLS
NEILL PENNEY	Refinitiv
JODI SCHENCK	Citi
JESSICA SOHL	HC Tech
JAMES SINCLAIR	Market Factory

Federal Reserve Bank of New York (FRBNY) Attendees:

ALAIN CHAUBOUD
ALEX COHEN
MICHELLE EZER
LORIE LOGAN
THOMAS NOONE
ANNA NORDSTROM
SANJA PEROS
MATT RASKIN
DAN REICHGOTT
SHAWEI WANG

The member from CLS chaired the meeting in the absence of the FXC Chair. He provided opening remarks and announced that the GFXC meeting will take place on December 4-5 in Sydney, Australia. The NYFXC will be represented by the FRBNY from the public sector and the member from CLS from the private sector.

1. Global Foreign Exchange Committee (GFXC)

The meeting proceeded with an overview of the agenda for the GFXC's December 2019 meeting, which focused in large part on the priorities in the upcoming three-year review of the FX Global Code. Members discussed topics affecting the FX market and how they could be considered within the review of the FX Global Code. Additionally, members reflected on the evolution of the FX benchmark environment since the Financial Stability Board's 2014 release of the "Foreign Exchange Benchmarks" report. It was agreed that a summary of the FXC's feedback on topics related to the three-year review of the FX Global Code and a current assessment of the FX benchmark environment would be provided at the GFXC Meeting in Sydney.

2. April 2019 BIS Triennial Survey

The members then turned to a discussion of the April 2019 BIS Triennial Survey, the results of which were published in September. Among other noteworthy points, OTC FX markets experienced significant growth in trading, which reached levels of \$6.6 trillion per day, compared to \$5.1 trillion reported in the previous survey. Members discussed overall trends in the data, with many expressing surprise in the large increase in volume given the overall low levels of FX market volatility. Reasons put forward for the increase in volume included overall increases in assets under management over the past several years and increased usage of FX swaps.

3. Markets Discussion

Members began the markets discussion by providing an overview of recent repo market volatility and the operations undertaken by the Federal Reserve. Factors cited as driving repo volatility in September included the settlement of Treasury issuance and a corporate tax date in an environment of lower aggregate reserves in the banking system, overall growth of Treasury debt outstanding, and increased Primary Dealer securities inventories requiring funding. The discussion turned to the Federal Reserve's operational response, which included overnight and term repurchase agreement operations at least through January of 2020 as well as the purchase of Treasury bills at least into the second quarter of 2020. These operations were seen as effective in supporting control of the effective federal funds rate and mitigating broader money market pressures. Members stated that trading conditions in the FX forwards markets were generally back to normal, but that implied rates over the year-end turn were still elevated. It was noted, however, that investors appeared to be generally well-positioned for year-end.

Next, members shared observations on broader FX market developments, including the continued observation of generally low FX volatility, outside of some idiosyncratic events. The FXC then turned to a discussion of recent events in Argentina, including the impact of capital controls. It was noted that the declaration of an exchange rate divergence under standard industry contracts had a significant impact to entities in the FX market for the Argentine peso. Although the situation has stabilized, the private sector members expressed their desire to conduct a “lessons learned” review at a future FXC Meeting.

4. Other business

The next FXC meeting is scheduled for February 5, 2020, hosted by FRBNY.