



## Minutes of the Foreign Exchange Committee

Meeting, April 4, 2012

Host: Citigroup

### Committee attendees:

ADNAN AKANT*	Fischer Francis Trees & Watts
ANTHONY BISEGNA	State Street Corporation
ROBERT BOGUCKI	Barclays
ALAN BOZIAN	CLS
ERIC BUSAY*	CalPERS
LYNN CHALLENGER*	Mellon Capital
STEVEN CHO	Goldman Sachs
JEFF FEIG	Citigroup
TOM GILLIE	Bank of America Merrill Lynch
DANIEL GLEIZER	Banco Itau BBA
MOHAMMED GRIMEH	Standard Chartered Bank
MOTI JUNGREIS	TD Bank
TAHREEM KAMPTON*	Microsoft
GIL MANDELZIS	Traiana
MIKE NOVOGRATZ*	Fortress
PAUL RICHARDS	UBS
TROY ROHRBAUGH	JP Morgan Chase
DANIEL SILBER	HSBC
DAVID STECK	Nomura
JOHN TAYLOR*	FX Concepts
CHRIS VOGEL*	Blackrock
PHIL WEISBERG	FXall

\* Denotes Buy Side Member

### **Federal Reserve Bank of New York Attendees**

MARCUS LEE  
PATRICIA MOSSER  
ANNA NORDSTROM  
JAMIE PFEIFER  
BRIAN SACK

MICHAEL NELSON, Counsel

### **Update of Recent Global Foreign Exchange Committee Meeting**

A meeting joining the various Central Bank-sponsored foreign exchange committees was held on March 19<sup>th</sup> in Frankfurt, hosted by the European Central Bank. At this meeting, topics included developments in foreign exchange best practices, international regulatory reform initiatives, and



developments in foreign exchange transaction reporting including the semi-annual turnover surveys. Representatives from the central bank sponsored FX committees meet periodically in order to exchange views on trends and developments in FX markets and share ideas and experiences of common interest on the structure and the functioning of the FX market, which is by nature global.

### **Market Discussion**

The FXC and Buy Side Chairs facilitated a discussion on recent market developments. Members discussed a number of topics including those featured below.

- Members indicated that the content of the minutes from the March FOMC meeting released the prior day had garnered attention. Though FXC members noted recent signs of improvement in US economic data, some, at the margin, had expected more detailed discussion of potential options for accommodative policy action in the FOMC minutes. FXC members generally viewed the outlook for economic growth in the United States to be improving and noted that this was a factor supporting dollar appreciation versus other currencies. In addition, some FXC members questioned whether further signs of economic improvement in the US might impact the evolution of forward looking rate guidance in the FOMC statements in the future.
- Members reported that developments in Europe continued to be a focus of attention. Once again, members noted that pressures in the funding markets remained limited by the ECB Long-Term Refinancing Operation (LTRO) program. Additionally, members noted that the program had similarly reduced pressure on Banks to sell assets in the near term. Looking ahead, members were attuned to parliamentary elections in Europe.
- Members discussed the prospect of bank ratings downgrades in the near term, with some questioning whether such developments would prompt forced selling of associated holdings. While forced selling could occur, it was noted that some market participants have been seeking to expand the range of indicators used to determine selling requirements beyond simply ratings actions.
- Members also discussed Swiss currency policy, with broad expectations that the Swiss National Bank would maintain its policy to keep the value of the franc versus the euro above a floor of 1.20 swiss franc per euro. It was suggested that broad market positioning was consistent with this expectation.

### **Foreign Exchange Options Clearing Update**

Members discussed the uncertainty surrounding the future status of foreign exchange options clearing. While FX options are mandated for clearing under Dodd Frank, members reported that there are currently no clearing houses able to clear FX options. Members suggested that a primary obstacle has surrounded the ability of clearing houses to put forward a structure that can sufficiently manage associated FX settlement issues. It was noted that the Global Financial Markets Association (GFMA) Global FX division was in the process of an effort to determine the potential scale of the associated risk to better quantify the issue.



It was also noted that the framework to clear FX Non-Deliverable Forward (NDF) transactions was ready in principal but that the cost to clear these products may lead some market participants to reduce their NDF activity.

### Work Group Updates

The Secretary provided a broad review of the current working groups and projects underway by the Committee. She cited:

- **Operations Managers Working Group (OMWG).** The OMWG continues to work with the Financial Markets Lawyers Group to complete the review of the Management of Operational in Foreign Exchange. In addition, the group hopes to reach out to the buy side community in coming months to enhance communication surrounding the implementation of Dodd Frank requirements in the foreign exchange community. The FXC Buy Side members were asked to provide names of individuals on the operations side to engage in this effort.
- **Chief Dealers Working Group (CDWG).** The CDWG continues its work on an update of the 2006 paper on algorithmic trading.
- **Foreign Exchange Clearing and Prime Brokerage.** The team continues to focus its efforts on providing an overview of how the pre-trade, execution, transaction capture, and confirmation processes may occur for foreign exchange transactions conducted under prime brokerage and under clearing arrangements.
- **FXC Risk Analysis Template Group.** FXC Buy Side members were asked to contribute toward the effort to develop a generic tool to help analyze the impact of various risk event scenarios on the global foreign exchange market.

### Other Business

Upcoming Meetings:

The next meeting for the FXC is scheduled for Thursday May 10<sup>th</sup> and will be held with the Operations Managers Working Group.

The next meeting for the FXC and Buy Side is scheduled for Wednesday October 3<sup>rd</sup> at 4 PM.