



Minutes of the Foreign Exchange Committee

Meeting, June 27, 2012

Host: UBS

Committee attendees:

ADNAN AKANT*	Fischer Francis Trees & Watts
ANTHONY BISEGNA	State Street Corporation
ROBERT BOGUCKI	Barclays
ERIC BUSAY*	CalPERS
TIM CARRINGTON	RBS
ROBERT CATALANELLO	Credit Agricole CIB
LYNN CHALLENGER*	Mellon Capital
STEVEN CHO	Goldman Sachs
PETER CONNOLLY	Wells Fargo
JEFF FEIG	Citigroup
GIL MANDELZIS	EBS
PAUL RICHARDS	UBS
TROY ROHRBAUGH	JP Morgan Chase
DAVID RUSATE	GE
DANIEL SILBER	HSBC
JOHN TAYLOR*	FX Concepts
CHRIS VOGEL*	Blackrock
PHIL WEISBERG	FXall

* Denotes Buy Side Member

Federal Reserve Attendees

Marcus Lee
Patricia Mosser
Jamie Pfeifer
Janine Tramontana, Counsel

Guests

Jeff Lillien, Financial Markets Lawyers Group (FMLG) member from Deutsche bank

Mark Sobel, Deputy Assistant Secretary for International Monetary and Financial Policy at the U.S. Department of Treasury.



Welcome

The FXC Chair welcomed members and guests to the meeting.

FMLG Update

FMLG member Jeff Lillien discussed a FMLG work group that he is leading to review the Dodd-Frank Title VII implementation requirements for foreign exchange and identify questions on which FMLG members would like to seek greater clarification from the CFTC. It was noted, for example, that the FMLG has questions regarding which trade reporting and business conduct standard requirements should apply to the prime broker versus the executing broker for prime brokered FX transactions subject to those rules. It was noted that representatives of the FMLG intend to meet with the CFTC to discuss these issues in greater detail in the coming month.

Market Discussion

The FXC Chair facilitated a discussion on recent market developments. Overall, members cited negative market sentiment associated with developments in Europe and broader signs of weakness in global economic data. Accordingly, most market participants were said to be reluctant to take on risk in general and those investors who were taking on risk positions were said to be doing so on a very short-term basis.

Members noted a focus on the upcoming European Summit but indicated that expectations for significant announcements from that event were limited, particularly in light of recent statements from German Chancellor Angela Merkel. Members discussed various steps that could be announced at some point to help to alleviate the fiscal challenges.

Members cited an increase in analyst reports on the potential for Greece to exit the euro and the implications that such an event would have on the broader market landscape. Many members noted a risk that if Greece were to exit, pressure could shift to other regions. Thus they noted that they hoped that any policy action surrounding a Greek exit would include steps to address other regions in order to stem that contagion risk.

Members noted a number of other factors dampening investor risk appetite. Such factors included signs of slowing economic growth in various regions and uncertainty regarding the upcoming U.S. Presidential election and the possible implications for U.S. fiscal policy. In addition, prolonged uncertainty regarding the implementation of regulatory reform requirements has reportedly prompted many firms to delay expenditures and investment.

In this environment, daily FX transaction volumes were reported as low with significantly higher volume days surrounding news events. Despite a perceived reduction in overall activity, members did not report any challenges in conducting transactions.

Work Group Updates



The Secretary noted that the various work groups remain active. The prime brokerage subcommittee continues to consider the implications of a foreign exchange market that includes both cleared and non-cleared transactions as well as multiple clearing frameworks. Additionally, a Chief Dealers Working Group effort to review the 2006 FXC paper on algorithmic trading continues.

Risk Analysis Template

Members were asked to provide feedback on the draft parameters of the exercise and raise any questions and/or topics that have not yet been adequately reflected.

Other Business

- The next meeting for the FXC and Buy Side is scheduled for Wednesday October 3rd at 4 PM and will be hosted by JP Morgan Chase.