



## Minutes of the Foreign Exchange Committee

Meeting, November 14, 2012

Host: Standard Chartered

### Committee attendees:

ROBERT CATALANELLO	Credit Agricole CIB
STEVEN CHO	Goldman Sachs
JEFF FEIG	Citigroup
TOM GILLIE	Bank of America Merrill Lynch
DANIEL GLEIZER	Banco Itau BBA
MOHAMMED GRIMEH	Standard Chartered
MOTI JUNGREIS	TD Bank
PAUL RICHARDS	UBS
DANIEL SILBER	HSBC
PHIL WEISBERG	FXall

### Federal Reserve Attendees

Patricia Mosser  
Anna Nordstrom  
Jamie Pfeifer  
Simon Potter  
Michael Nelson, Counsel

### Guests

Jeff Lillien, FMLG, Deutsche Bank

### Welcome

The Chair thanked Standard Chartered for hosting in light of the change to the schedule and thanked everyone present for their flexibility in making the rescheduled date.

### FMLG Dodd Frank Implementation Group Update

Jeff Lillien joined the meeting to provide an update on the FMLG's outreach to the CFTC. In particular, Jeff noted that the FMLG firms planned to submit a request for interpretive guidance to the CFTC regarding the business conduct standards requirement to provide a mid-price to clients on a pre-trade basis. The work group, which also canvassed members of the buy side community, planned to argue that bid- and ask-prices were the more relevant measures of transactable pricing for many FX products, and that both prices are already readily and widely available via various sources in the foreign exchange market. Feedback from FXC members, including buy side members who were canvassed earlier in the process, suggested support for this argument, and in fact some indicated that a wider set of products and currency pairs have readily available bid- and ask- prices



and thus could also qualify for similar treatment. Nonetheless, it was determined that the FXC firms would submit the proposed letter with the FMLG and consider whether to pursue expanded relief through a future request. Members cautioned that having restricted relief for some products risked bifurcating pricing and execution in the FX market and could be of limited value given the need to develop relevant mid-quote mechanisms around the pairs and products not in the scope of the request.

Note: The CFTC subsequently issued a no action letter in regards to this issue:  
<http://www.cftc.gov/ucm/groups/public/@llettergeneral/documents/letter/12-42.pdf>

### **Impact of Super Storm Sandy on Foreign Exchange Market Function**

Members shared observations about the impact of Super Storm Sandy on the foreign exchange market. The event reaffirmed the importance of having updated business continuity processes in place. It was suggested that non-electronic FX trading in the New York trading center was very limited and that other market centers such as in London and several financial centers in Asia worked extended hours to bridge the New York trading session and there were no reports of impairments to FX pricing and liquidity

Several firms were forced to operate out of secondary sites, however, some of those secondary sites were similarly impacted by the storm. Some firms who arranged for hotel accommodations for staff had a similar experience when those hotels also lost power. Members cited particular challenges with communication in light of flooding at the Verizon infrastructure. This reinforced the importance of having the ability to switch communication devices over to other trading centers seamlessly as well. It was suggested that official communication regarding market closes was uneven across some asset markets.

Members agreed to use the latest draft of the generic risk template to document the impact of, and lessons from, Super Storm Sandy and its aftermath on the foreign exchange market.

### **Discussion on Use of Benchmark Fixes in FX Market**

As a follow up to the discussion at the October meeting, FRBNY representatives suggested that the FXC draft a catalogue of reference rates relevant in the foreign exchange market. The Secretary indicated that she would be reaching out bilaterally to members, including those on the buy side, to discuss the reference rates used in FX and to broadly identify the types and uses of these rates in the market and the methodologies used to construct those rates.

### **Market Discussion**

The FXC Chair facilitated a discussion on recent market developments. Members noted that recent market attention had been focused on the outcome of the U.S. Presidential election, expectations for the fiscal outlook in the United States, and developments in Europe and in Asia.

Members discussed the fiscal outlook in the United States looking forward and following the outcome of the U.S. Presidential election. They were uncertain as to whether President Obama would take a more aggressive or less aggressive approach in negotiations following the election results. Some members suggested that policymakers are likely to agree to a shorter term resolution to the impending U.S. fiscal cliff rather than agree to a comprehensive and lasting solution.



Members noted that market attention had also been focused on recent headlines surrounding further potential aid disbursements to Greece. They noted that while Greece has been working within the requirements of their agreement, there are questions about when the next tranche of Greek aid would be disbursed. This uncertainty was underscored by the inability to reach a decision at a Eurogroup meeting earlier that week and by signs of differing approaches expressed by the Eurogroup and the IMF at a press conference, also earlier that week. Nonetheless members suggested that the primary focus in the market recently is not on Greece itself, but rather concerns of weakening economic conditions in the broader euro area.

Members additionally cited focus on currency and political developments in Asia.

### **Other Business**

- The next meeting for the FXC is scheduled for Wednesday January 16th at 4:00 PM and will be hosted by FRBNY.