



EUROPEAN CENTRAL BANK

EUROSYSTEM

Foreign Exchange Contact Group

Frankfurt, Tuesday 26 April 2016, 13:00-17:00 CET

SUMMARY OF THE DISCUSSION

1. Presentation of the New York Foreign Exchange Committee

Troy Rohrbaugh, Chair of the New York Foreign Exchange Committee (FXC) informed members about the structure and organisation of the New York FXC, which has three sub-groups (legal, operation manager and buy-side) where the Chairs of the first two sub-groups attend the FXC meetings. The FXC is chaired by a member of the private sector and the Secretariat is provided by the Federal Reserve Bank of New York. FXC members are from both the sell- and buy-side. In addition, few trading platforms are represented.

Members welcomed the presentation and the opportunity to foster co-operation among global FX Committees. Members noticed that while the ECB FXCG has a different organisation with the Chair held by the ECB, it has similar membership (buy-side, sell-side and trading platforms) and that the subjects discussed by both committees are broadly similar.

2. Presentation of the European Association of Corporate Treasurers (EACT)

François Masquellier (Deputy Chairman, EACT) introduced the role and mandate of the European Association of Corporate Treasurers (EACT), an association of 21 National Treasury Associations from 20 countries in Europe with around 13,000 members from 9,000 corporates. He reviewed the impact of various regulations on corporates and the challenge to adapt to a more volatile economic and regulated environment. Members appreciated the information and the exchange of views.

3. ECB Reference Rates and FX Fixings

Istvan Mak (ECB) provided an update on the implementation process of the new framework for the ECB reference rates (ECBRR). The ECB announced on 7 December 2015 that the change of the ECBRR publication from around 14.15 to 16.00 will take place as of 1 July 2016, and reaffirmed the “information only” purpose of the ECBRR. The ECB reported that it has reached out to several corporate associations to raise awareness about the changes.

Paul Tivnann (Bloomberg LP) and Shirley Barrow (WM Reuters) presented an update of their FX fixing services. Paul introduced the Bloomberg FX fixing (BFIX), which is published on Bloomberg terminals and reported that selected rates including the 14.00 FX fixing are published on the Bloomberg website. BFIX is in the process of getting IOSCO compliance. Shirley reported that Thomson Reuters acquired WM/Reuters from State Street on 1 April. The 14.00 fixing will be provided as a separate subscription service from 1 July. WM/Reuters has been compliant with IOSCO Principles since 2014.

Members welcomed the information provided and focused the discussion around the costs associated with FX fixing services and other potential alternatives for FX fixings.

4. BIS's FX Working Group on single code: state of play

Guy-Charles Marhic (ECB) reviewed the ongoing work to establish global principles for good practice in the FX market ("Global Code") and to promote and incentivise adherence to the Code under the auspices of the BIS FX Working Group (FXWG). The first work stream of the FXWG, which develops the Single Code in two phases, has produced a draft which has been circulated for comments within the FXWG and various regional FXCs and associations. The ECB has reached out for comments from the FXCG, the ECB's Operations Managers Contact Group, some associations of Corporate Treasurers and the Eurosystem central banks. Guy-Charles reviewed the main comments and updated the group on the discussion of the last FXWG meeting on 2 April 2016. Adrian Boehler (BNPP) and Patrick Fleur (PGGM), both members of the FXWG Market Participant Group (MPG), updated the group on the discussions within the MPG around the draft language and definition of high level principles on execution. Despite the tight deadlines, work would be progressing well. The objective is to release an interim publication on some parts of the Single Code (phase 1 material) and some information on the upcoming adherence mechanism following the Global FXC Meeting, which will be held on 25 May 2016.

Members were also informed on the ongoing work on the adherence mechanism, which is part of work stream 2. This work is focusing on developing several tools to foster adherence to the Global Code. Among those tools, adherence to the Code could be used as criteria for membership to foreign exchange contact committees.

During the discussion members strongly supported the initiative to establish global principles for good practices in the FX market and welcomed the information provided on the ongoing work. They indicated that concrete examples are useful to demonstrate differences between appropriate and inappropriate behaviour. The fact that it was challenging to formulate clear examples would only illustrate the importance of doing so. Members also expressed interest in contributing to phase 2 work and discussed possibilities on how to structure the upcoming workflows and the related ECB FXCG contribution. Finally, members also supported the idea of using adherence to the Code as selection criteria for foreign exchange contact committees

5. Market review and discussion

Roswitha Hutter (ECB) provided a brief review of the recent FX market developments focusing on the impact on currencies from the low/negative interest rate environment, commodity dynamics, policy divergence and political uncertainties.

Members provided their views on FX market developments and indicated that client activity in G10 currencies had declined over the recent weeks amid a low level of conviction, while activity and flows with regard to emerging markets have stabilised. Political risks and in particular the UK/EU referendum are in the centre of attention. Even though extreme positioning and the risk premia associated with the UK referendum have moderated somewhat over recent days, both remain at elevated levels. Discussions also touched upon FOMC rate expectations.