

foreign exchange committee



Minutes of the Foreign Exchange Committee Meeting

Meeting: March 4, 2022

Host: Video Conference Meeting

FXC Attendees

Chris Vogel (TD Securities) - Chair
Jessica Sohl (HC Tech) - Vice Chair
Hemant Bajjal (Invesco)
Yudhveer Chaudhry (Blackrock)
Natalia Chefer (DE Shaw)
Maria Douvas (Morgan Stanley)
Michael Eyre (Vanguard)

Akiko Hayata (Payden & Rygel)
Ben Klixbull (XTX Markets)
Robert Kim (JPMorgan Chase)
Marisa Kurk (Northern Trust)
Russell Lascala (Deutsche Bank)
Dan Lennon (CLS)
Neill Penney (Refinitiv)

Jodi Schenck (Citibank)
Chris Taendler (Barclays)
Bob Tull (Fifth Third)
Sean Tully (CME Group)

Federal Reserve Bank of New York (FRBNY)

Lorie Logan
Anna Nordstrom
Lisa Chung
Michelle Ezer
Alex Cohen

Sanja Peros
Thomas Noone
James Bergin
Patrick Douglass
Pertshuhi Torosyan
Sardi Geza

Federal Reserve Board of Governors

Alain Chaboud
Stephanie Curcuru

Other Attendees

Leslie Payton Jacobs (EMTA)

Financial Markets Lawyers Group

(FMLG) Attendees

Sarah Ashkenazi (Bank of America)
Mary Breslin (Deutsche Bank)
Martha Burke (MUFG)
James Brown (Barclays)
Chinedu Ezetah (Citiank)

Jill Hurwitz (Deutsche Bank)
Amelia Kaufman (Blackrock)
Jeffrey Lillien (Wellsfargo)
Annette Maluenda (Barclays)
Nancy Rigby (US Bank)

Jeffrey Saxon (BNP Paribas)
James Wallin (Alliance Bernstein)

The Foreign Exchange Committee (FXC) Chair provided opening remarks to the Committee, which met outside its normal schedule to discuss developments in the FX market related to Russia's invasion of Ukraine.

1. Markets Discussion

The markets discussion covered several topics related to the market impacts of Russia-related sanctions and countermeasures as a result of Russia's invasion of Ukraine. The discussion primarily focused on the implications of bank sanctions, capital controls, divergence of onshore versus offshore exchange rates, FX settlement risk, and global dollar funding.

- Members highlighted possible operational and settlement issues arising from the division in the Russian banking sector, which is now split into sanctioned and non-sanctioned banks. This included a discussion of the operational challenges arising from the need for some to transition ruble-denominated nostro accounts at sanctioned banks to non-sanctioned banks. Some observed that Russian capital controls and SWIFT restrictions are affecting settlement and noted growing concerns and caution over their ability to make payments without violating Office of Foreign Assets Control (OFAC) rules.
- Members also discussed the growing divergence between onshore and offshore ruble exchange rates as a result of sanctions. Several members questioned whether ruble fixings on the Moscow Exchange (MOEX) would continue to be viable going forward, given the market bifurcation and potential further degradation of liquidity. This was discussed in the context of standard non-deliverable forward (NDF) contracts, which currently use this fixing rate. Members discussed issues surrounding the possibility of adopting alternative fixing rates.
- Concerns over the settlement risk related to deliverable contracts and the possibility of conversion to NDFs were also discussed. Members highlighted the potential basis risk around moving these contracts to NDF and the importance of a viable fixing rate. Some raised the possibility for a multilateral solution, as opposed to addressing these issues on a bilateral basis.
- Separately, it was noted that a fixing rate has not been available for the Ukrainian Hryvnia since the invasion, and that EMTA fallback protocols will take effect after a benchmark rate is unavailable for 14 days.
- Lastly, members expressed thoughts on global dollar funding, noting that they expect pressure to continue beyond when sanctioned banks are removed from SWIFT. A FRBNY participant drew attention to the availability of the standing US dollar liquidity swap lines, which can help to alleviate short-term funding pressures should they arise.

The next FXC meeting is scheduled for April 6, 2022.