



Minutes of the Foreign Exchange Committee Meeting

Meeting: May 13, 2020

Host: Video Conference Meeting

FXC Attendees:

JENS ANDERSEN	Standard Chartered
ANTHONY BISEGNA	State Street
CHRISTOPHER CHATTAWAY	Goldman Sachs
YUDHVEER CHAUDRY	Blackrock
JOSE LUIS DAZA	QFR Capital Management
MARIA DOUVAS	Morgan Stanley
MICHAEL O'BRIEN	Eaton Vance
ANNA FAUSTINI	Societe Generale
HARI HARIHARAN	NWI Management
CLAUDIA JURY	J.P. Morgan Chase
BENJAMIN KLIXBULL	XTX Markets
RUSSEL LASCALA	Deutsche Bank
DANIEL LENNON	CLS
ANDREW MAACK	Vanguard
NEILL PENNEY	Refinitiv
JODI SCHENCK	Citi
JESSICA SOHL (Vice Chair)	HC Tech
ROBERT TULL	Fifth Third Bank
ADAM VOS	BNY Mellon
CHRISTOPHER VOGEL (Chair)	TD Securities

Federal Reserve Bank of New York (FRBNY) Attendees:

ALAIN CHABOUD
ALEX COHEN
STEPHANIE CURCURU
MICHELLE EZER
COLLEEN KEEGAN
LORIE LOGAN
THOMAS NOONE
ANNA NORDSTROM
SANJA PEROS
MATTHEW RASKIN
DAN REICHGOTT

U.S. Department of Treasury Attendee:

DANIEL HALL

1. Opening Remarks

The meeting commenced with the FXC Chair providing opening remarks to the Committee and introducing Guy Debelle, Deputy Governor of the Reserve Bank of Australia and Chair of the Global Foreign Exchange Committee (GFXC), who joined the meeting as a guest.

An FRBNY ex-officio member then announced that Jessica Sohl (HC Tech) has been selected to serve as the committee's Vice Chair. The creation of the Vice-Chair role was previously announced to the committee at the February meeting, corresponding with the revised [charter](#).

2. Contingency & Resiliency Planning

The meeting then turned to an assessment of the shift to a largely work-from-home (WFH) environment during the COVID-19 pandemic. Members remarked that the transition to this environment has generally worked well given the circumstances. However, despite the overall positive experience so far, a more prolonged WFH period could also mean some challenges in areas such as staff onboarding and training, mitigating risks for example like potential power outages, maintaining proper governance processes and compliance in a highly decentralized workforce and maintaining a diverse workforce as individuals adapt to a new environment. It was also noted that the recent peak in FX volatility occurred before firms were primarily operating in a WFH environment, and that a renewed bout of market turmoil in the WFH context could have an outsized impact on market function. Members also generally suggested that the eventual return to an office-centric environment will likely vary regionally and will be largely contingent on ensuring employee health, the recommendations of local governments, available transportation, and available childcare.

Members were divided on the ability of their firms to balance between running the business and making progress on strategic business development in the current environment. Some noted the ability to continue to make progress on strategic goals, while others noted that such initiatives may take longer to get underway.

3. Markets Discussion

The meeting then turned to a discussion of broader market developments. Members offered their views on the potential severity and duration of the economic impact of COVID-19, and the impact on financial markets. Among other points, it was noted that a prolonged economic contraction could result in greater solvency risks, which would likely have significant economic policy implications going forward. Other topics discussed centered on the overall uncertainty regarding the longevity of the virus and potential for a vaccine, the prospect of low policy rates for a protracted period of time, and vulnerabilities specific to some emerging market economies. Most suggested that even in the most optimistic scenario, a return to 2019 growth levels seemed very far off.

The discussion then turned to market conditions, where Jodi Schenck (Citi) presented on FX liquidity and volume metrics. Members commented that overall FX liquidity continued to improve, as

measured by bid-ask spreads and order book depth, but that conditions had yet to return to pre-COVID19 levels. Members also highlighted that spot market conditions varied by currency pair, and that options market trading remained challenging at times. After observing a surge in trading volumes in March, members noted that spot volumes declined substantially in April. Regarding broader market trends, it was noted that the rise in use of algorithmic-based execution has persisted, as clients aim to avoid paying a risk transfer price during periods of heightened market uncertainty, and as it helps minimize operational complexities.

Members closed out the markets discussion by reviewing the observed improvements in funding conditions. FX swap basis spreads had narrowed notably over recent weeks, returning closer to levels seen toward the start of the year, particularly in shorter-dated tenors. The expansion of the frequency and tenors of the central bank liquidity swap line operations was cited as the primary driver behind the narrowing of these spreads. Domestic funding markets also improved substantially, as LIBOR-OIS spreads narrowed notably. In addition to the swap lines, drivers cited included corporate issuance-driven increase in demand for commercial paper and recent money fund inflows.

4. Other Business

The discussion concluded with an update on the Global Foreign Exchange Committee's next meeting, which is scheduled to take place on June 22. The agenda topics are expected to include an update on current market conditions from participating FXCs, as well as a revised timeline for the three-year review of the FX Global Code.

The next FXC meeting is scheduled for July 15, 2020.