



Minutes of the Foreign Exchange Committee Meeting

Meeting: February 9, 2023

Host: Federal Reserve Bank of New York

FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair
Jessica Sohl (HC Tech) - Vice Chair
Hemant Bajjal (Invesco)
Chris Chattaway (Goldman Sachs)
Maria Douvas (Morgan Stanley)
Michael Eyre (Vanguard)

Anna Faustini (Societe Generale)
Akiko Hayata (Payden & Rygel)
Ben Klixbull (XTX Markets)
Robert Kim (JPMorgan Chase)
Russell Lascala (Deutsche Bank)
Marisa Kurk (Northern Trust)

Dan Lennon (CLS)
Jill Sigelbaum (LSEG)
Chris Taendler (Barclays)
Bob Tull (Fifth Third)
Sean Tully (CME Group)

Federal Reserve Bank of New York (FRBNY)

John Williams
Michelle Neal
Patricia Zobel
Anna Nordstrom
Lisa Chung

Sanja Peros
Thomas Noone
Patrick Douglass
Colleen Keegan
Kathleen Ramirez

Geza Sardi

Federal Reserve Board of Governors

Emre Yoldas

U.S. Dept. of Treasury

Evan Klos

The Chair opened the meeting and welcomed FXC members and New York Fed President John Williams. The Chair turned to an update on FXC membership changes, noting the departure of Rebecca Patterson (Bridgewater Associates) and thanking her for her service on the Committee. The Chair then welcomed one new FXC member, Jill Sigelbaum (London Stock Exchange Group).

New York Fed President John Williams introduced Michelle Neal, New York Fed Head of Markets, to FXC members and shared that Roberto Perli had been selected as the next System Open Market Account (SOMA) manager, effective February 21. President Williams thanked Patricia Zobel, who served as SOMA manager pro tem since July 2022, for her leadership, commitment, and service during that time. He also expressed appreciation to Committee members for their work on promoting integrity and efficiency through best practices in FX markets. He noted that, in his role as Chair of the Bank for International Settlements (BIS) Markets Committee, he recognizes the opportunity to promote best practices in FX markets through collaboration with the GFXC.

1. Annual Review of the FXC Charter & Antitrust Guidelines

New York Fed staff then conducted the annual review of the [FXC Charter](#) and [Antitrust Guidelines](#). The FXC Charter remained unchanged from the prior year. New York Fed staff instructed members to share the Antitrust Guidelines with colleagues from their institutions who also work on FXC matters and to raise any concerns about anticompetitive conduct to their own attorneys, directly to New York Fed staff, or through the Bank's integrity hotline (1-877-52-FRBNY or 1-877-523-7269).

2. Global Foreign Exchange Committee Update

The FXC received an update on the Global Foreign Exchange Committee's (GFXC's) December 2022 meeting. First, GFXC members selected a new Co-Vice Chair, Simon Manwaring (NatWest), who will serve a two-year term. Second, the GFXC meeting covered several items related to external engagement around adoption of the FX Global Code. The GFXC agreed to commission a Digital Proportionality Tool designed to support market participants, with less complex FX activities, determine which part of the FX Global Code are relevant for their FX operations. The Tool will be publicly available on the GFXC website in 2023. Next, GFXC members received an update from the working group dedicated to FX Global Code outreach, which presented a three-pillar approach to promoting Code adherence among the breadth of market participants in the foreign exchange market. Relatedly, a New York Fed ex-officio member informed the FXC that representatives from the North American central banks (Bank of Canada, Banco de Mexico, and the Federal Reserve Bank of New York) will participate in a fireside chat at an upcoming FX industry conference to discuss the benefits of Code adherence. Third, the GFXC agreed to continue examining the topic of data availability in FX markets with the view of including it in the upcoming three-year review of the FX Global Code. Potential topics may include (i) enhanced transparency on user-generated trade data; (ii) greater transparency of trade execution data in the case of delegated executions and (iii) improved data access to benchmark executions of FX forward transactions. Local foreign exchange committees have been asked to provide their feedback to the GFXC in advance of the June meeting, when a discussion is scheduled.

3. Determining FXC Future Priorities

The Committee then discussed the FXC's 2023 strategic priorities. Members shared their thoughts on broader topical discussions and FX market themes that are of interest for further exploration at upcoming meetings. These topics included but were not limited to: in the evolution of FX market structures, FX settlement risk, digital assets, and data availability.

4. Markets Discussion

The meeting then transitioned to a discussion of market developments since the November FXC meeting. The discussion primarily focused on market participants views on the U.S. dollar outlook and the monetary policy outlook across advanced foreign economies, the market implications of China's economic reopening, and key watchpoints for 2023.

- Committee members generally noted that recent signs of robust U.S. growth, including the above-consensus non-farm payroll (NFP) print, were viewed as supportive of dollar strength in the near term despite opposing forces such as China's reopening, the improvement in global growth, and further rate increases by other central banks.
- With respect to foreign central bank policy, most of the discussion centered around the Bank of Japan (BoJ). Members generally expected that any further modifications to the BoJ's yield curve control (YCC) framework, such as widening the trading band further, could strengthen the yen; however, the impact is viewed as unlikely to be significant as the BoJ's policy stance remains highly accommodative and negative interest rate policy (NIRP) remains in place. Members discussed to what extent Japanese market participants have been adjusting for the eventual abandonment of YCC and what, if any, implications it would have on U.S. rates.
- Regarding emerging market (EM) economies, members observed that the impact of China's reopening on the local and global economies has been largely priced into the market. Members highlighted the possibility of EM disinflation in the first half of 2023 due to their relatively restrictive monetary policy stance and noted that the performance of EM currencies is expected to be more idiosyncratic compared to 2022.
- Members closed with a discussion of key watchpoints for 2023, which included BoJ monetary policy, the U.S. debt ceiling, the evolution of the Federal Reserve's balance sheet and bank reserves levels, and the outlook U.S. inflation and monetary policy.

The next FXC meeting is scheduled for March 29, 2023.