



Minutes of the Foreign Exchange Committee

Meeting: September 25, 2024

Host: Bank of New York

FXC Attendees

Yudhveer Chaudhry (Blackrock) - Chair
Maria Douvas (Morgan Stanley) – Vice Chair
Carlos Fernandez-Aller (Bank of America)
Hemant Baijal (Invesco)
Chris Chattaway (Goldman Sachs)
Andrew Haning (Jump Trading)

Akiko Hayata (Payden & Rygel)
Paul Houston (CME Group)
Ben Klibull (XTX Markets)
Chris Pizzotti (State Street)
Yan Pu (Vanguard)
Ankit Sahni (Element Capital)

Jodi Schenck (Citibank)
Chris Taendler (Barclays)
Bob Tull (Fifth Third)
Jason Vitale (Bank of NY)

Federal Reserve Bank of New York

(New York Fed)

Michelle Neal
Anna Nordstrom
Roberto Perli
Lisa Chung
Shawei Wang

Sanja Peros
Dan Reichgott
Daniella Faura
Zareera Bukhari
Per von Zelowitz

FRS Board of Governors

Alain Chaboud

U.S. Department of Treasury

John Petrich

The Chair opened the Foreign Exchange Committee (FXC) meeting by welcoming members and announcing FXC membership changes. The Chair noted the departures of Jill Sigelbaum (LSEG) and Aaron Wells (Coca-Cola) and thanked them for their service.

1. Update on the Three-Year Review of the FX Global Code

FXC members were asked to reflect on the draft FX Global Code (“Code”) revisions and disclosure coversheets prior to the launch of the [GFXC’s public consultation](#) process. In general, members expressed support for the Code enhancements as proposed by both the FX Settlement and FX Data Working Groups. Members were provided an overview of the Code review timeline, with key dates including the conclusion of the GFXC public consultation on October 25. The Three-Year Review is set to conclude at the upcoming December GFXC meeting with the endorsement of the 2024 Code and to be published by year-end.

2. Topical Discussion: Presentation from the New York Fed’s Innovation Center (NYIC)

The NYIC, launched in 2021, is part of the New York Fed and collaborates with the Federal Reserve System and the Bank for International Settlements Innovation Hub, along with public and private sector experts, to validate, design, build and test new financial technology products and services for the central bank community. FXC members were joined by the Director of the [NYIC](#) who presented two current research endeavors that have relevance for FX markets. Prior to the discussion, a representative from the New York Fed’s Legal Group read an antitrust reminder to members.

Members were provided an overview of [Project Cedar](#), a multiphase technical research effort evaluating the potential application of financial technology solutions to improve the efficiency of wholesale cross-border payments. This effort, conducted in partnership with the Monetary Authority of Singapore, examined a cross-border multi-currency use case in which vehicle currencies are used as a bridge to exchange currency pairs which are not widely traded. It explored the ability of distributed ledger technology (DLT) to establish connectivity across heterogeneous simulated currency ledgers, reduce settlement risk, and decrease settlement time. Its findings demonstrate that DLT could support enhancements to cross-border multi-currency payments and settlements by improving interoperability and the facilitation of atomic and instantaneous settlements.

Then members were also provided an overview of a proof of concept that experimented with the concept of a [regulated liability network \(RLN\)](#). The RLN concept, done in collaboration with the NYIC and members of the U.S. financial services sector, envisions a theoretical market infrastructure to efficiently and safely exchange and settle tokenized liabilities using distributed ledger technology (DLT). In its findings, RLN demonstrated 24/7 settlement with a central bank digital currency was technically possible but that availability would be dependent on operational availability of the parties. Additionally, RLN noted the availability of near real time settlement and allowed for improved programmability, which included the possible implementation of auto-execution rules by participants to fund account balance shortfalls.

3. Markets Discussion

The meeting then turned to a discussion of market developments since the May FXC meeting. The discussion primarily focused on members' views of the U.S. and international economic and monetary policy outlook, recent FX market volatility, and U.S. dollar outlook.

- With respect to the outlook for U.S. and foreign central bank monetary policy, members discussed the recent Federal Open Market Committee (FOMC) September meeting decision to reduce the policy rate by 50 basis points. Many members noted that labor market weakening and slowing inflation were viewed as the main drivers supporting this decision. Looking ahead, a few members highlighted the two Employment Situation Reports scheduled for release prior to the November meeting as potential important data prints for the FOMC's policy considerations.
- Regarding FX market volatility, committee members noted that weaker than expected Employment Situation Reports released in August and September brought U.S. recessionary concerns to the forefront. When coupled with less accommodative expectations for Bank of Japan policy, committee members mentioned that these concerns contributed to notable interest rate differential narrowing and increases in volatility, culminating in a broad unwind of carry trades in August.
- Committee members concluded with a discussion of the U.S. dollar outlook, noting that the lack of favorable investment alternatives to the U.S. dollar, relatively stronger U.S. growth, and relatively higher U.S. rates are supportive of continued dollar strength. Some members highlighted that any shifts away from the prior stated dollar-supportive factors could substantively shift the dollar outlook from the current trajectory, especially in the longer term.

The next regularly scheduled FXC meeting will be held on November 20, 2024.