

Participants

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Swiss FX Committee
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Excused

Carlo K  lzer (360T Group/Deutsche B  rse Group)

Place and time

Zurich, 13 May 2019, 14:00h to 17:00h

Swiss FX Committee Minutes

1. Swiss FX Committee (Swiss FXC)

Membership: Marcel Zimmermann (Public Sector Co-Chair of the Swiss FXC) welcomed the committee members to the second meeting of the Swiss FXC. He thanked Alex Maillard for providing the venue for this meeting at UBS Zurich. Alex Maillard (UBS) who was unable to attend the first meeting and Thomas Suter (QCAM Currency Asset Management), replacing the firm's previous representative, Andr   Meyer, introduced themselves personally.

Activities and developments since the last Swiss FXC meeting: Three main actions by the members were mentioned: (1) Three additional Swiss FXC members chose to publicly demonstrate their Statement of Commitment (SoC) to the Code. (2) In a survey on the motivation by buy-side firms to adhere to the Code, nine Swiss FXC members participated. Three from these nine buy-side firms were buy-side banks. The survey was conducted by the buy-side working group of the Global Foreign Exchange Committee (GFXC) in January 2019. (3) Seven Swiss FXC members provided feedback during the final review phase for the GFXC reports on «Cover and Deal» and «Transparency and Disclosure».

Discussing the GFXC materials: Ernst Lienhard (Private Sector Co-Chair of the Swiss FXC) chaired the group discussion on the three documents which contained (1) some draft examples on «Cover and Deal (C&D)», (2) a framework to discuss the flow of information on anonymous e-trading platforms and (3) a summary of key topics related to anonymous e-trading platforms. These documents were produced by the respective GFXC working groups, the latter two by the Disclosures Working Group.

The committee members found the draft examples to be considered for inclusion in Annex 1 of the Code helpful. A few members stressed, however, that in reality the same market participant who acts as an Intermediate Provider in a C&D arrangement in order to avoid taking on any market risk may at other times or under other circumstances (for example for

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another currency pair) take on market risk. Regarding the two documents on anonymous platforms, a suggestion was made to use the same terminology as in the published C&D paper.

Discussing the promotion activities by the Swiss FXC: This group discussion was chaired by Marcel Zimmermann and took place against the background of the two documents produced by GFXC working groups: (1) Some slides to support local FXCs in disseminating the published C&D report to associations, (2) the outreach presentation for buy-side firms. Committee members agreed that many market participants, in particular smaller buy- and sell-side firms, are not aware of or familiar with the Code. According to the representative of the Swiss Association of Corporate Treasurers (Swiss ACT) in the Swiss FXC, small and medium-sized corporates have a lot of issues they need to tackle in their respective core business areas. Attracting their attention on the Code itself and its adherence is therefore already a major challenge, a specific interaction on C&D arrangements seems currently not suitable. Based on this, the Swiss FXC members decided on several concrete steps to promote the Code in general but, for the time being, to refrain from any specific outreach efforts on C&D.

2. New developments on the FX Global Code and the Global FX Committee (GFXC)

Changes in the GFXC leadership structure: Marcel Zimmermann informed that the Deputy Governor of the Reserve Bank of Australia, Guy Debelle, is proposed as new GFXC Chair from mid-2019 to mid-2021. Guy Debelle was the former Chair of the FX Working Group (FXWG) of the Bank of International Settlements (BIS) that was in charge of developing the Code and its adherence framework.

Update regarding Statements of Commitment (SoC) signed globally and in Switzerland/Liechtenstein: 17 SoC by firms domiciled in Switzerland/Liechtenstein are listed among the 855 entries shown in the Global Index of Public Register as per 7 May 2019. For comparison, on 20 November 2018 there were 11 SoC.

Agenda items of the 22/23 May 2019 GFXC Meeting in Tokyo: While providing an overview of the agenda of the global meeting, Marcel Zimmermann mentioned the annual GFXC survey in 2019 as well as the planning of the three-year review of the Code to maintain its quality and relevance over time. Furthermore, local FXCs are invited to provide information on their activities and market conditions during the «Tour de Table» session and he informed that the topical presentation will be on «Flash events» in the FX market.

3. Recent developments in the FX market: «CHF “mini flash event” in Asian trading on 11 February 2019»

Benjamin Anderegg introduced the topic. Based on the prevailing literature, a flash event can be described by five characteristics: (1) a large and fast price move, (2) elevated transaction

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costs, (3) unusually large trading volumes, (4) absence of new information, (5) substantial reversal of the initial price move. He concluded that the last three characteristics were fulfilled by the Swiss franc «mini flash event» that took place during market opening on 11 February 2019.

In the following discussion, there was a consensus that flash events have occurred more often in recent years and that the causes are difficult to determine. For the 11 February 2019 event, committee members were unable to provide more insights why the market move occurred. Several members commented that a practical issue caused by such events is the difficulty in determining consistent market highs and lows. Areas for further analysis and discussion were mentioned, but members' opinions were split whether best practices around flash events should be formulated in the Code.

4. Miscellaneous

One member reported on difficulties he encountered in rolling a non-deliverable forward due to an unscheduled onshore holiday. Another topic brought up was the separation made by some banks between e-customers and voice-customers. As e-customers are no longer permitted in certain cases to trade with the bank on the phone, this could have adverse consequences for the client in a contingency situation. Another member, whose firm also classifies customers accordingly, said that it is the firm's policy that in such a case a call would be permissible.

Marcel Zimmermann mentioned two issues. Firstly, he informed on the international outreach efforts on best practice recommendations around clearing and settlement risks in the US Treasury market. Some members indicated interests in providing feedback to this work done by the Treasury Market Practices Group (TMPG) and it was agreed that the Secretariat of the Swiss FXC will provide them the link. Secondly, he informed that the BIS Markets Committee decided on a study group that is headed by the Swiss National Bank on «the use of FX execution algorithms and implications for market functioning» and announced that for fact finding, some members of the Swiss FXC might be approached.

Finally, the members were asked whether they would like to receive the presentation in advance of the meeting of the Swiss FXC and they expressed a preference for this.

5. Next meeting

The second GFXC meeting in 2019 will take place in early December. Therefore, some dates for a Swiss FXC meeting in late November will be proposed in due course. The meeting ended with a topical preview on the next meeting. Regarding the presentation by a member, the Swiss FXC Secretariat will be in touch with the two speakers previously selected for 2019 regarding which presentation will be feasible.