

Minutes

Scandinavian FX Committee meeting

20 November 2018



Location: Sveriges Riksbank, Stockholm

Attendees:

- Svante Hedin, SEB
- Anders Thorsson, Swedbank
- Andreas Åkerlund, Svenska Handelsbanken
- Lars Henriksen, Nordea
- Niklas Karlsson, Danske Bank
- Jørn Sodborg, Jyske Bank
- Rolf Palmer, DNB
- Jonas Sørensen, Novo Nordisk
- Jasper Riis, ATP Arbejdsmarkedets Tillaegspension
- Angelika Gyllenhoff, Alecta
- Jason Need, Bloomberg LP
- Arne Osnes, Norges Bank
- Michal Nielsen, Danmarks Nationalbank
- Kim Winding Larsen, ACI Denmark
- Jakob Hansen, Central Bank of Iceland
- Meredith Beechey Österholm, Sveriges Riksbank
- Emma Brattström, Sveriges Riksbank
- Anders Nordlander, Sveriges Riksbank
- Tobias Helmersson, ECB

1. Introduction and recap from the Global FX Committee meeting

Meredith Beechey Österholm (Chair of the SFXC) summarized the Global FX Committee (GFXC) meeting in June. The Chair informed the committee about the GFXC surveys of market participants and that a formal review of the Code will take place in 2020. At the upcoming GFXC meeting on November 29 in Paris, the Chair proposed that the SFXC be represented by the Chair Meredith Beechey Österholm (Sveriges Riksbank) as the public sector representative, and Svante Hedin (SEB), as the private sector representative. The committee members agreed to this proposal.

2. FX Global Code of Conduct - update and progress on adherence

Tobias Helmersson (ECB), co-chair of the Global FX Committee's working group on buy-side outreach, presented the ongoing work to raise awareness of the Code among buy-side participants, and the work with embedding the Code into the FX market.

This was followed by a group discussion about how to encourage adherence for buy-side actors and what obstacles members have observed. Members suggested a guide to the Code for the buy-side institutions, with the most relevant principles highlighted. Furthermore it was discussed if buy-side actors could be classified into different groups of institutions, where key actors integral to the market place should be expected to adhere to the Code.

Members suggested a relaunch of the Code in order to raise awareness. The Code was launched over a period of time when other regulations were in the focus for financial institutions' (e.g. MiFid II). Members were positive to continued activity in Scandinavia to increase awareness of and adherence to the Code and will aim to participate at coming market events. Some members indicated that the Code will be included in their institutions' Environmental, Social and Government (ESG) standards.

Members also updated the committee on their respective institutions' progress towards signing the Statement of Commitment to the FX Global Code. All institutions in the SFXC are expected to have demonstrated their adherence to the Code by signing the Statement of Commitment by June 2019.

3. Items for discussion at the Global FX Committee meeting (Cover and Deal, Disclosures and Transparency)

Svante Hedin (SEB) introduced the issues Cover and Deal and Disclosures and Transparency¹ that will be discussed at the upcoming GFXC meeting. The GFXC suggests that two information papers are published, in order to raise more awareness about the issues.

Members supported the GFXC proposal to publish the papers. However, the Committee recommended that the papers should be more focused and concrete about specific issues, at present the papers address issues more generally, and where they do go into detail, not always addressing the most pertinent points. As an example, the Cover and Deal paper could also be expounded with concrete case descriptions; in addition, it gives focus to Cover and Deal from the perspective of regional bank to local clients, whereas the practice is applied much more broadly in the market today, and largely on anonymous or semi-anonymous basis. Relatedly, members welcomed the focus on disclosures on the anonymous E-trading Platforms. In addition, members proposed legal advisors be involved in the process with the Disclosures and Transparency paper.

¹ Disclosures and Transparency refers to how Market Participants provide relevant information about their FX market activities to counterparties.

4. Perspectives on FX market functioning in Scandinavian currencies

Lars Henriksen (Nordea) and Angelika Gyllenhoff (Alecta) presented issues on structural developments and FX market functioning in the Scandinavian currencies. Lars raised the issue of an increasingly fragmented FX market and the decline in the primary market volume share. Angelika presented structural changes and challenges of the last 10 year from the Investor perspective.

Lars showed a recent case of apparent last-look abuse (trading inside a last-look window). Members concluded that this case was not aligned with the Code. The issue of market abuse was discussed and how principle 17² of the Code can tackle this problem.

Members agreed on the picture of an increasingly fragmented FX market which makes it more difficult for a single financial institution to observe the whole picture of market pricing and conditions. Members expressed interest in how central banks in the region monitor FX markets. In terms of the FX market development over the next decade, members agreed that market fragmentation most likely will continue to increase the coming years. Going forward, member requested the SFXC to look at other FX products than FX spot, which has been the focus the two recent meetings.

5. Conclusions and future work

The Chair summarized the meeting and concluded that the work and the Terms of Reference for the SFXC will be evaluated one year after the SFXC was formed. Members suggested to meet three times per year which is something that will be reviewed going forward. At the upcoming GFXC meeting, the SFXC representatives will put forward the main conclusions from the discussion about raising awareness of the Code among buy-side participants. The committee's views on the proposed Cover and Deal and Disclosures and Transparency notes, as well as information about market functioning in the region, will be put forward by the SFXC representatives.

² Global FX Code, Principle 17: Market Participants employing last look should be transparent regarding its use and provide appropriate disclosures to Clients.