

Participants

Pawel Skala (ABB), Eric Vauthey (Banque Cantonale Vaudoise), Jean-Marc Guillot (Edmond de Rothschild), Luca Luisoni (EFG Bank), Gaelle Barlet (compenswiss), Walter Inauen (LGT Bank), André Siegrist (Publica), Jürgen Büscher on behalf of Thomas Suter (QCAM Currency Asset Management), Cédric Gumy (Suva), Benjamin Anderegg (SNB), Barbara Döbeli (SNB), Marcel Zimmermann (SNB), Ernst Lienhard (Swiss Re), Andreas Keller (UBS), Alex Maillard (UBS), Hjalmar Schröder (ZKB), Simon Jones on behalf of Carlo Kölzer (360T Group/Deutsche Börse Group)

Zurich, 6 July 2020

Swiss FX Committee
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Excused

Frank Rust (Bucher Industries)

Place and time

Conference call, 12 June 2020, 10.00 am to 11.30 am

Swiss FX Committee (Swiss FXC) Minutes

Marcel Zimmermann (Public Sector Co-Chair of the Swiss FXC) welcomed the committee members to the fourth meeting of the Swiss FXC, held as a conference call due to the coronavirus situation.

1. Swiss FX Committee

News and activities since the last meeting

Hjalmar Schröder introduced himself as the new ZKB representative. Then Jürgen Büscher of QCAM (attending on behalf of Thomas Suter) and Simon Jones of 360T (attending on behalf of Carlo Kölzer) briefly introduced themselves.

In connection with the Code review, Marcel Zimmermann provided information on the ‘Algorithmic Trading and Transaction Cost Analysis (TCA)’ working group, which is co-led by the Swiss National Bank. Cédric Gumy reported on the priorities set by the ‘Buy-Side Outreach’ working group, of which he is a member. He pointed out that further buy-side firms are being sought to provide a case study describing how they have implemented the Code. Work in all groups in connection with the Code review was paused in mid-March due to the coronavirus crisis.

Recent Code promotion activities

In relation to Code promotion activities, the Swiss FXC’s Secretariat can provide a helpful brochure on request. It is available in English and is based on the Global FX Committee’s (GFXC) slides for promoting the Code to buy-side firms. Marcel Zimmermann thanked the Swiss FXC members (Alex Maillard, Cédric Gumy, Gaelle Barlet) for their contributions at two events. Barbara Döbeli and Marcel Zimmermann contributed at three additional gatherings with potential Code users. Two Code presentations scheduled for March and May

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– one at the General Assembly of SwissACT in Zurich, the other in Liechtenstein planned by the Banking Association – had to be cancelled due to the coronavirus crisis.

2. Developments on the FX Global Code and the Global FX Committee

Update regarding Statements of Commitment (SoCs)

19 SoCs of market participants domiciled in Switzerland/Liechtenstein are among the 1,054 entries in the Global Index of Public Registers of 4 June 2020. This includes a new SoC from the Swiss franc currency area, which has been added since the last report of 8 November 2019. Further signed statements may exist that are not deposited in a register.

Agenda items of the 22 June GFXC call

Given the teleconference format and, thus, the shorter duration of the GFXC meeting, the GFXC asked all member to provide a written submission on market conditions in lieu of the usual tour de table. Benjamin Anderegg (SNB) collected feedback from committee members on the draft version describing recent developments in the Swiss FX markets. Among other things, members reported that at the height of the crisis, it became increasingly difficult to execute FX swaps in a meaningful size, especially when the USD was one of the currencies involved. Some noted that spillovers from disruptions in trading in other asset classes affected their treasury and FX hedging activities. The recommendations in the [GFXC statement of 26 March on FX market conditions](#) had been followed.

With regards to operational resilience in the wake of the coronavirus crisis (GFXC agenda item 2), Ernst Lienhard (Private Sector Co-Chair of the Swiss FXC) chaired the preparatory discussion with the committee members. The regular testing of secondary locations and remote access solutions before the crisis proved to be very valuable. Some noted that for teleworking arrangements, the recording of relevant client communication via telephone was no longer possible.

Ernst Lienhard also moderated the discussion on FX settlement risk, which remains significant ([BIS Quarterly Review](#)) and is therefore on the GFXC's agenda. Swiss FXC members shared the view that market participants should be encouraged to settle FX transactions on a payment-versus-payment (PvP) basis where available, and to widen that availability to include emerging market economy (EME) currencies. They wondered which companies waive protection through PvP in cases where it is available and what their reasons are.

Marcel Zimmermann announced that a revised timetable for the review of the Code will be discussed at the GFXC call. The aim is that work in the groups should resume between June and September and be completed by mid-2021 (and not by end-2020 as originally planned).

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3. Review of Swiss FXC membership after two years

To allow for rotation, membership of the Swiss FXC is reviewed every two years. As the first term of membership comes to an end this year, Marcel Zimmermann reported on the status and next steps in reviewing the committee's composition. So far, feedback has been received from current members on renewing their membership and invitations have been sent out to potential new members, with some already submitting applications to join. The composition of the committee's second term will be communicated by the end of September at the latest. The committee's terms of reference (ToR) will be amended to require member firms not only to sign the SoC to the FX Global Code but also to submit it to a public register.

Two members volunteered for the Private Sector Co-Chair role. In the interest of continuity and to have an arrangement for a Co-Chair rotation lined up for 2022, the current Co-Chair (Ernst Lienhard, Swiss Re) will serve another term and will then be replaced.

Suggested topics for future meetings and presentations by members were briefly touched upon. The Secretariat will look into this in more detail and contact members.

4. Possible regulation of spot FX in the European Union

Barbara Döbeli presented the [consultation paper on the review of the Market Abuse Regulation \(MAR\)](#) published by the European Securities and Markets Authority (ESMA) on 3 October 2019. As part of this review, ESMA assessed the European Commission's question as to whether the spot FX market should be covered by the MAR. Since spot FX contracts are identified as non-financial instruments (entered into for commercial purposes rather than for investment purposes), they are outside the scope of the current regulatory framework (MiFID II and its accompanying regulations MiFIR as well as MAR).

She provided an overview of ESMA's arguments for extending the scope of MAR to spot FX contracts (regulatory gaps, misconduct in the market in 2014, recommendations in the [Fair and Effective Markets Review](#), links to the markets in financial instruments) and the counterarguments (FX Global Code, structural changes in relation to infrastructure, transparency, supervision, revisions of MAR concepts and MiFIR standards, difficulties identifying market manipulation). On the basis of this assessment, ESMA posed questions to the public and the responses received are available on the ESMA website.

A rough evaluation by Barbara Döbeli of the various responses submitted (the final report by ESMA to the European Commission is not yet available) shows that the vast majority is against a MAR extension to spot FX, with only a minority in favour of this extension. Both opponents and supporters refer to the Code in their argumentation: for the first group, the Code makes a MAR extension redundant while supporters argue that the Code is less effective than a regulatory regime because of its voluntary nature.

5. Miscellaneous / Next meeting

One member mentioned the [Joint Market Trade Associations Statement on 20 March on the importance of keeping US financial markets open amid coronavirus](#).

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The first meeting of the Swiss FXC in its second term is expected to take place in late November or early December 2020.