

Participants

Christoph Börlin (Baloise Asset Management), Eric Vauthey (Banque Cantonale Vaudoise), Vincent Georges (Banque J. Safra Sarasin), Frank Rust (Bucher Industries), Gaëlle Barlet (compenswiss), Francesco Schiavo (Credit Suisse), Luca Luisoni (EFG Bank), Walter Inauen (LGT Bank), André Siegrist (Publica), Cengiz Temel (Record Currency Management), Cédric Gummy (Suva), Benjamin Anderegg (SNB), Barbara Döbeli (SNB), Marcel Zimmermann (SNB), Ernst Lienhard (Swiss Re), Andreas Keller (UBS), Alex Maillard (UBS), Hjalmar Schröder (ZKB)

Zurich, 18 December 2020

Swiss FX Committee
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Excused

Place and time

Conference call, 1 December 2020, 2 pm to 5 pm

Swiss FX Committee (Swiss FXC)

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Marcel Zimmermann (Public Sector Co-Chair of the Swiss FXC) warmly welcomed the members to the first meeting of the committee in its second term, also on behalf of the private sector Co-Chair, Ernst Lienhard. Afterwards, the new members (Christoph Börlin (Baloise Asset Management), Vincent Georges (Banque J. Safra Sarasin), Cengiz Temel (Record Currency Management), Francesco Schiavo (Credit Suisse)) introduced themselves. Marcel Zimmermann recalled the rules on confidentiality and competition law and thanked Andreas Keller for his continued presence at the meetings as the committee's legal expert.

1. Swiss FX Committee

News and activities since the last meeting

First of all, Marcel Zimmermann provided information on the membership review which was completed at the end of September. Eight new companies applied for membership. When selecting the four new members, care was taken to ensure a balanced composition of market participants from the sell-side and buy-side as well as from different parts of the country. Marcel Zimmermann paid due credit to the four members whose membership was not extended for reasons of rotation (Pawel Skala (ABB), Jean-Marc Guillot (Edmond de Rothschild), Thomas Suter (QCAM Currency Asset Management), Carlo Kölzer (360T)). Second, Marcel Zimmermann mentioned the revision in the Swiss FXC's Terms of Reference. As a new membership requirement, the Statement of Commitment to the Code must not only be signed but also submitted to a public register to be visible to the outside world. Third, he provided information on a recent exchange with FINMA about the measures FINMA is taking to support the adoption of the Code by other domestic market participants. Fourth, in connection with the three-year review of the Code, he indicated that the 'Algorithmic Trading and Transaction Cost Analysis (TCA)' working group, co-chaired by

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the SNB, would present its interim findings at the forthcoming virtual meeting of the Global FX Committee (GFXC) on 8 December. The members of the GFXC and local FX committees will be asked to provide written feedback by the end of December 2020. As a final point, it was mentioned that five companies in the Swiss FXC from the buy-side (Bucherer Industries, compenswiss, Publica, Record Currency Management and Suva) completed a questionnaire on the pros and cons of top-down and bottom-up approaches to buy-side involvement. A total of eleven buy-side entities worldwide took part in the survey. Cédric Gumy, who is a member of the GFXC's 'Buy-Side Outreach' working group, forwarded the questionnaire to the other buy-side representatives in the Swiss FXC.

Code promotion activities

Marcel Zimmermann expressed the hope that the events cancelled due to the coronavirus situation (one at the General Assembly of SwissACT in Zurich, the other in Liechtenstein planned by the Banking Association) could be carried out at a later date. New members were asked for ideas to promote the Code. The creation of a graphical element expressing the commitment to the Code, which could be embedded in the email signature was mentioned. This could make recipients of emails aware of the Code.

Update regarding Statements of Commitment (SoCs)

22 SoCs from market participants domiciled in Switzerland and Liechtenstein are among the 1057 entries in the Global Index of Public Registers as of 25 November 2020 – almost twice as many as at the first meeting of the Swiss FXC in November 2018 (then 12 SoCs).

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

Agenda items of the 8 December GFXC call

The bulk of the GFXC call will be devoted to the three-year review of the Code. To facilitate the discussion at the GFXC call, all local FXCs have been asked to provide written feedback in advance on the reports on anonymous trading, disclosures, riskless principal, last look and pre-hedging. A wide range of Swiss FXC members provided answers to the respective questions in these documents. Ernst Lienhard (Private Sector Co-Chair of the Swiss FXC) thanked these members for their substantial effort in reviewing the material and moderated the lively discussion on the answers received.

Items not on the GFXC agenda, but feedback required

The GFXC asked for feedback on proposed amendments to strengthen the wording of the Code on settlement risk by the end of 2020. The Swiss FXC briefly discussed the submitted feedback on this paper, including an additional point regarding the pricing structure of payment-versus-payment (PvP) services.

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Furthermore, all members approved the SNB draft describing recent developments in the Swiss FX markets. The GFXC will publish the contributions of all the local committees as a compendium on its website.

3. The use of FX execution algorithms and its implications for market functioning

Benjamin Anderegg (SNB) presented the key findings of a recent [report](#) by a BIS Markets Committee (BIS MC) study group, chaired by Andréa Maechler (SNB). He started by taking stock of Execution Algorithms (EAs) in the FX market (definition, market share and user rationale) before going into more detail in their designs. Based on the three objectives of optimal trade execution (minimising market impact and spread costs, minimising market risk and maximising execution certainty), he explained that no single EAs can meet all three objectives simultaneously and called this the ‘execution algorithm trilemma’. He then introduced the six basic archetypes of EAs. The increased use of EAs will influence the functioning of the market, he continued. They improve the price-discovery and matching process, contribute to change in the liquidity profile of the market and reinforce the growing trend towards internalisation, which reduces the visibility of trades. They help market participants to navigate fragmented markets, but also shift the execution risk from providers to users. They therefore require appropriate knowledge and information. As disclosures are typically not standardized, it would be beneficial to fill this gap. To this end, he pointed out that findings of the report have been shared by the BIS MC with the GFXC. He concluded that the findings of the report were relevant not only for the FX market but for fast-paced electronic markets in general.

4. Update of ESMA’s final report on a possible regulation of spot FX in the European Union

Barbara Döbeli gave an overview of the final report on the review of the Market Abuse Regulation (MAR). The [MAR Review report](#) was published by the European Securities and Markets Authority (ESMA) on 24 September 2020. The topic of a possible extension of the scope of MAR to spot FX contracts was already presented in detail at the last Swiss FXC call.

She mentioned that ESMA concluded regarding the extension of the scope of MAR to spot FX contracts that further analysis will be necessary once the revision of the FX Global Code is completed. Furthermore, ESMA stated that it would be desirable to have an adequate degree of coordination between the EU and other jurisdictions, taking account of the global nature of the FX market. She added that the report already compares articles from the MAR, which may be relevant for spot FX markets, with the principles of the Code and gave an overview of this.

5. Miscellaneous / Next meeting

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In connection with his membership in the working group on Buy-Side Outreach, Cédric Gumy stated that there are four [case studies](#) on the GFXC website on the adoption of the Code by buy-side firms. Further case studies would be greatly appreciated and interested Swiss FXC members should feel free to contact him for further information.

Some dates for the next Swiss FXC call will be proposed once a date for the GFXC call has been fixed. A presentation on anonymous trading by Alex Maillard is scheduled for this call.