

MINUTES SCANDINAVIAN FX COMMITTEE

10 March 2021

Location: Virtual Meeting



ATTENDEES:

Alexander Flatner,	Norges Bank
Arne Osnes	Norges Bank
Anders Thorsson,	Swedbank
Angelika Gyllenhoff,	Alecta
Jakob Hansen,	Central Bank of Iceland
Jason Need,	Bloomberg
Jens Vahlquist,	Sveriges Riksbank
Jørn Lodborg,	Jyske Bank
Kim Winding Larsen,	ACI FMA
Lars Henriksen,	Nordea
Lass Højlund,	Danske Bank
Michal Nielsen,	Danmarks Nationalbank
Morten Salvesen,	DNB
Niko Herrala,	Central Bank of Finland
Svante Hedin,	SEB
Thomas Bengtsson,	ATP

1. Introduction

Michal Nielsen (Chair of SFXC) welcomed all to the virtual meeting. One new member was welcomed; Morten Salvesen from DNB, who replaced Anders Øksendal.

Further, it was announced that Marcus Alfredson (Volvo car) and Jonas Sørensen (Novo Nordisk) resigned from SFXC.

The Chair briefly summarized the purpose of the meeting and that the distributed documents are well-known from last time, but with changes based on the feedback to the GFXC meeting in December.

The timeline for the update of the Code was also made clear;

- Final discussion at the GFXC meeting on March 29
- Correction of fatal flaws middle of June
- Final approval of the changes at the GFXC meeting end of June.

The discussion of the papers at the meeting meant to be high-level and a thorough feedback could be forwarded no later than Friday 12 March. The papers were addressed one at a time.

2. Pre-hedging

In general there was a great support from the committee to address the topic of pre-hedging. A more clear distinction between pre-hedging and front-running was needed, and the reviewed update to the Code addressed this in a better way. Points were made that definition and boundaries of pre-hedging should be in high-level terms. Further, the important part is that liquidity providers must be transparent to the clients if they pre-hedge and why they do it. It was pointed out that it is important to stay close to other market standards in the definition of pre-hedging.

3. Last Look

It was acknowledged that the Code has been helpful to mark out the field on this topic. The focus in paper is primarily on hold time in the last look window. It was pointed out that holding times have come down to a very short window already and further decrease of holding times might not be in the interest of the clients. There were more than one view on this, with some taking the view that hold-time is problematic

In addition, a further decrease was also a question of latency on both parties. The committee agreed that the focus should be on more transparency from the liquidity provider on how the hold time is used and disclose why the client is rejected. Likewise, it would benefit the clients, if

the liquidity provider clarified how symmetric and asymmetric pricing is affecting them.

4. Anonymous Trading

The committee agreed that platforms need to provide more information on this topic. A point was made that it could be positive, if platforms could make liquidity pools based on Code compliance – option 3 in the WP. A strong appeal was made to the GFXC to watch the market of anonymous trading. There are still unanswered question on this topic, for instance, how to handle cross-platform anonymous trading.

5. Algo and TCA

On the topic of algo-trading the committee stressed that transparency and disclosures is the key - especially, relating to separation regarding who can see the information and how the information is handled internally.

Relating to the topic of TCA, there was an agreement in the committee that the TCA description should be more high-level and that the Code should not be specific on products in such a manner. Some members were in favour of some kind of standard TCA, but there is a risk that a market participant sees the template as conclusive, and thus misses out on issues that have not been covered by the template.

6. Disclosure

There was a strong agreement in the committee that transparency and disclosures is very important. Liquidity consumers agreed that templates would make it easier to compare disclosers from liquidity providers. However, it is not necessarily easy to capture all information in templates in an appropriate way.

An important note was made about Principle 19 that all market participants - including liquidity consumers - should now as well disclose information on, how they fulfil the Principle. There was again a general agreement in the committee that the Code should be high-level and not too specific in how to implement the principles.

7. Riskless Principal

It was noted that the update of the paper is to the better and more focused on best practice.

8. Settlement Risk

Brief comments on the paper were made, and positive comments towards that the paper acknowledges that not all currencies are available for PVP.

9. Concluding remarks

The Chair thanked the attendees for a pleasant and open discussion of the different topics and encouraged to forward any additional feedback in advance of the GFXC meeting – deadline March 12 COB.

The committee agreed to hold a virtual meeting in the beginning of May to address fatal flaws in the final documents for the Code.