

MINUTES

SCANDINAVIAN FX COMMITTEE

18 May 2022

Location: Virtual Meeting



ATTENDEES:

Alexander Flatner,	Norges Bank
Arne Osnes	Norges Bank
Anders Thorsson,	Swedbank
Jakob Hansen,	Central Bank of Iceland
Jason Need,	Bloomberg
Jens Vahlquist,	Sveriges Riksbank
Lars Henriksen,	Nordea
Lass Højlund,	Danske Bank
Michal Nielsen,	Danmarks Nationalbank
Nicolaj Schou Andersen	Danmarks Nationalbank
Morten Salvesen,	DNB
Niko Herrala,	Central Bank of Finland
Svante Hedin,	SEB
Thomas Bengtsson	ATP

1. Introduction and recap from the GFXC

Michal Nielsen (Chair of SFXC) welcomed all to the virtual meeting.

The results from the survey conducted by the GFXC on the most important topics going forward were presented as introduction. The most important topic was the effectiveness of the update to the Code. Further, the advantages of adherence to the Code for buy-side institutions and developments in settlement risks and market data availability were also prioritized topics on list.

2. Presentation by Nordea: Working with the new disclosures

Presentation from Nordea was held by Lars Henriksen.

The presentation started with the work on last look after the update to the Code. The importance on distinguishing between holding time and time for necessary checks were brought forward. The guidance in connection to the Code explicit states that artificial holding time has to be removed. However, on anonymous platforms the removal of holding times is still lacking behind. The disclosure of holding times is beneficial in regard to the implementation of the update to the Code.

There was a discussion around the need for ECN's to work on the possibilities in selecting whether or not to trade with counterparts which has not signed the Code.

The internal process at the banks is cumbersome and a lot of effort work has to be done from the update of the code to the new publication of updated disclosures and restating the commitment to the code. It is an internal process of finding the changes since last time and evaluate where the bank does not adhere to the Code following the updates.

Work on disclosures were presented, for instance where and what disclosures could be found on the website. Furthermore, a walkthrough of examples of disclosures was done.

Around half of the members in the committee comes from entities which has restated their Statement of Commitment (SoC).

3. Presentation by SEB: Development of liquidity in (Scandi) FX markets

Presentation on development of liquidity in Scandi FX markets was held by Svante Hedin from SEB.

Liquidity in FX markets has in general suffered during the outbreak of the war in Ukraine. Wider spreads have been observed in FX swaps in all scandi FX markets. However, a rather quick normalization of bid/ask spreads has been evident during the spring. An observation was made that the profitability of market making in FX swaps will be under pressure with new regulatory requirements and it remains to be seen what the effects are.

In FX spot markets the baseline spreads (1 million euro) have normalized quite fast as well in scandi FX markets, but spreads in larger sizes are still volatile. Looking at EUR/SEK the impact from trades has increased.

In general, activity has increased in NOK markets, but unchanged in SEK and DKK. During February the volatility in scandi markets picked up significantly and is still evident to some extent in SEK. However, in general the markets have normalized. Comments were made that the liquidity in scandi FX markets have been holding up very well during the outbreak of

the war, and trading has been possible during the period but with wider spreads in contrast to the market environment March 2020.

There was a discussion on the inherent risk with the correspondent bank model in the case of settlement of currencies where specific banks are cut from using swift. A lot of focus had been on monitoring the settlement process in this regard.

Other

The chair expressed gratitude for the two presentations and informed that the next GFXC will be held 27 and 28 June. Following the GFXC there might be established working groups on the 4 topics mentioned, and members were invited to indicate any interest in participation in any WG.

The next meeting will hopefully be held in Copenhagen in the autumn.