



Canadian Foreign Exchange Committee

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Toronto

20th February 2025



Agenda

1. Global FX Division (GFXD)
 - i. Introduction
 - ii. Membership
 - iii. GFXD 2025 Focus Areas

2. GFXD Activities
 - i. FX Settlement Risk
 - ii. FX Resiliency
 - iii. FX Trading Venue Control
 - iv. Digital Money and FX
 - v. Future of FX Project

1.i - GFXD – The Voice of the Global FX Industry

- Formed in June 2010
- Recognition that there was no coordinated trade body representing the FX dealer industry globally
- The GFXD now has 25 members, representing the largest global FX dealers and accounting majority of dealer market share (Euromoney survey)
- The Division is global, and represents the FX interests of the three Global Financial Markets Association (GFMA) bodies:
 - AFME – Association for Financial Markets In Europe
 - ASIFMA – Asia Securities Industry and Financial Markets Association
 - SIFMA – Securities Industry and Financial Markets Association
- Led out of London by MD with staff in London, New York, Singapore
- Desire to represent a truly global association representing the industry in multiple locations
 - Frequent interaction with dealers outside the GFXD membership
 - Industry outreach to end users – corporates and real money as well as other investors
 - Outreach sessions with infrastructure providers, exchanges, CCP, technology providers
- 4 key global groups: Board; Steering Committee; Operations Committee; AsiaPac Committee
 - Working groups established for key issues and projects
 - Market Architecture Group has become increasingly important

1.ii - GFXD Membership

- Membership currently 25 banks representing the majority of the global FX dealer market
 - Board Members are from the following banks and are Global Heads of Foreign Exchange

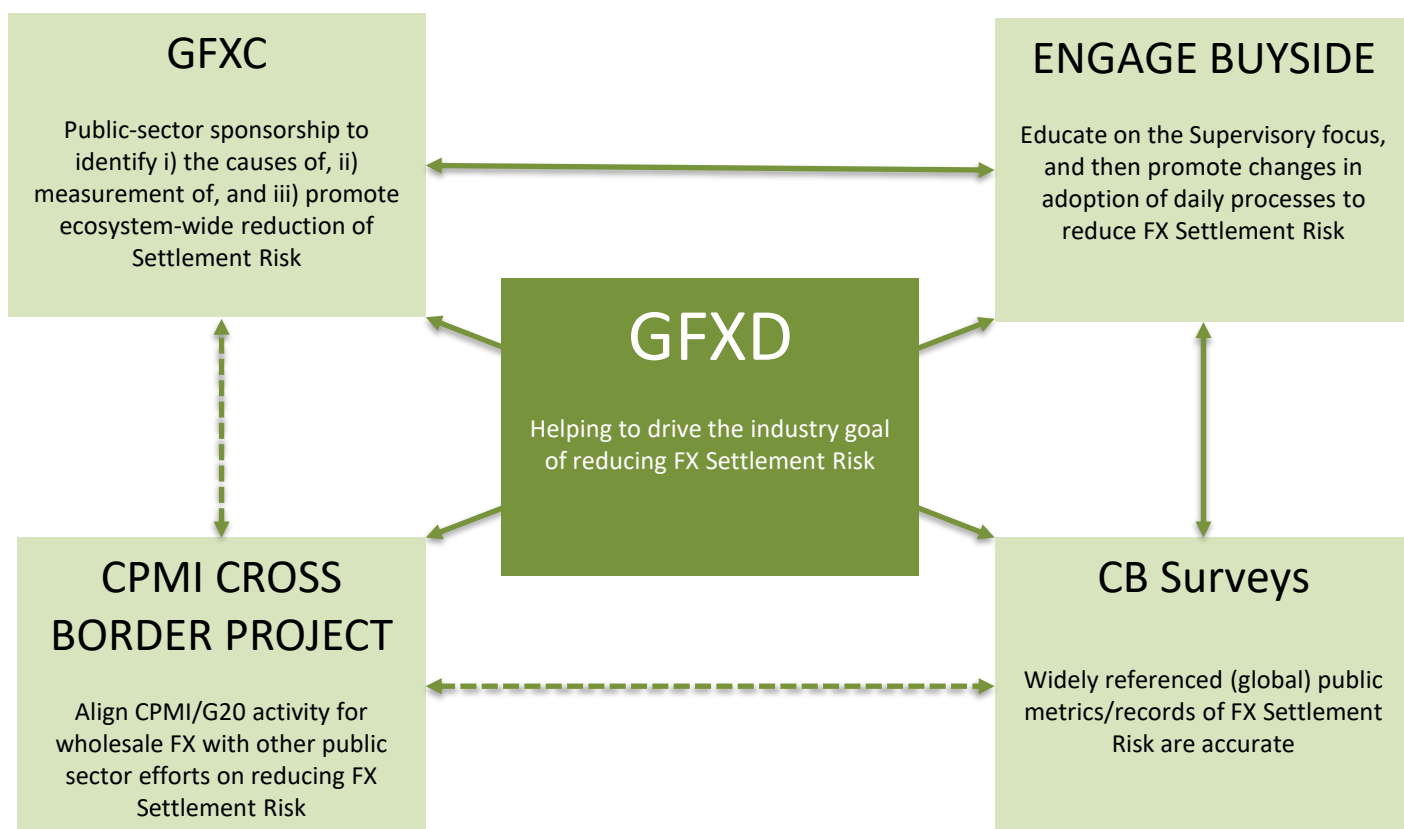


1.iii - GFXD 2025 Focus Areas/Workplan

		Americas	AsiaPac	Europe	
Horizon Scanning/Monitoring	Intra-member information flow and topic connectivity	Outreach and Engagement	Central Banks, Regulators, FX Market Participants, Infrastructure Providers, Other Industry Associations Supervisory Briefings		
		Monitoring/ Responding to Regulations	IOSCO Frameworks, Emerging Technologies		
			Dodd-Frank	Local Swaps Regulations	EU/UK: BMR, MiFID, MAR, EMIR
		Regulatory Implementation /Optimisation	“Deglobalisation” impacts and “national autonomy” trends		
			Conduct Agenda, Global FX Code		
		Infrastructure, Efficiencies and Risk Mitigation	Settlement Risk Management and Settlement Innovation, including T+1		
			Pre & Post-Trade Processing Efficiencies		
			Capital Efficiencies, including Clearing, Optimisation and Compression		
			FX Prime Brokerage		
			Resiliency		
		Market Structure Evolution	New tech - CBDCs, Stablecoins, Digital Assets, DLT, AI		
			ESG - Focus on Social and Governance – Next Step FX		
			Emerging Markets Considerations		
			Impact of Fragmentation of Market Infrastructures		

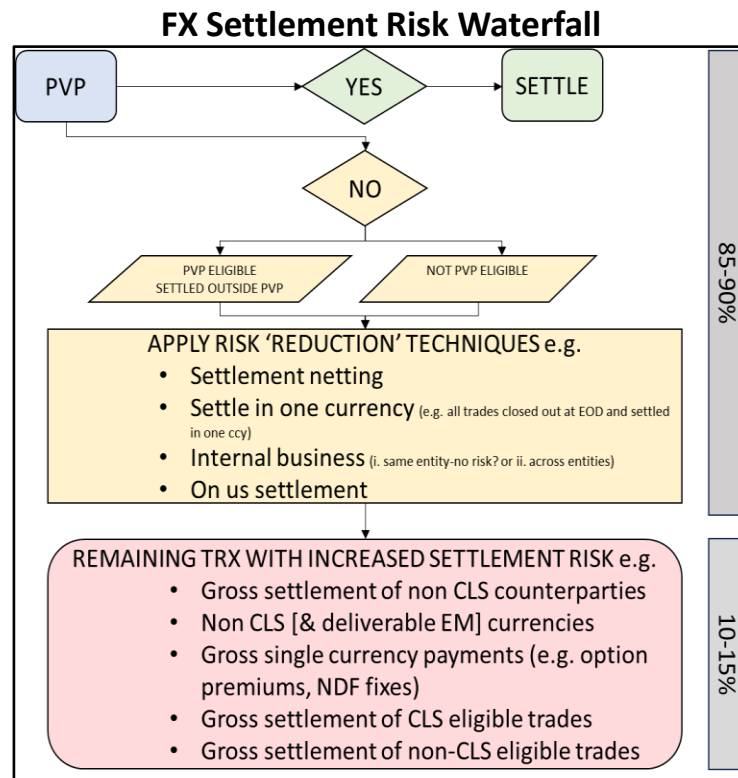
2.i - FX Settlement Risk

- GFXD actively engaged in promoting a coordinated approach to lowering Settlement Risk across global FX ecosystem
 - Goal to align multiple private and public sector activities
 - Promote engagement of buy-side, custodians and non-GFXD banks in efforts to reduce Settlement Risk
 - GFXC have prioritized Settlement Risk as one of the 3 topics in the 3-year review (ii. Enhancing Transparency iii. Use of FX Data)



2.i - FX Settlement Risk

- GFXD promoting the use of the Settlement Risk waterfall
 - CB's using the new Settlement Risk template to calculate Settlement Risk
 - Results showing Settlement Risk closer to 10-15% than 31% observed in BIS 2022 Triennial Survey
 - Focus is now on the 10%
 - Perform an analysis to prep for the expected CB focus into the 10-15% gross-bilateral bucket



2.ii - FX Resiliency

- Resiliency within the wider capital markets remains a key supervisory focus
 - Recent focus is in-relation to a cyber event – e.g., ION, ICBC and EquiLend events.
 - GFXD members continue to develop individual and network-wide plans
- GFXD identified opportunity to assist members in planning with a deep dive on the highest risk area(s)
 - Settlement Risk identified as the first high-priority topic
 - Other topics, including manual processes/day to day resiliency can be assessed in the future if required
 - GFXD members have completed their analysis and finalized the 'settlement outage' Run-Book
- The goal has been to produce a document that would aid member planning over a prolonged period
 - Chosen case study: 'An FX settlement system goes down and it is not clear at the time how long this could last'
- Key findings
 - 12 key issues and 42 short-falls (36 for firms themselves to address, 6 for the industry) were identified
 - #1 requirement was 'a globally accepted industry trusted source or centralized source of information'
- CLS have developed Alternative Processing Site (APS), now live and tested in Dec 2024
 - Cloud based alternative that can support settlement for up to 3+ weeks
 - CLS believe APS addresses the 'continuity of service' need as per GFXD feedback

2.ii - FX Resiliency

- Resiliency Working Group has confirmed 3 new focus areas
 1. Golden Source of Information
 - Current CB comms are to local members only – not representative of the local/global market
 - WG goal is have access to complete and accurate information on which to make controlled decisions
 - Any information shared would need to be from a trusted source – a ‘Golden Source of Information’
 - Real value is to achieve a consistent global strategy i.e., approach adopted by multiple central banks
 2. Confirmation outage
 - In addition to a settlement outage, the WG identified that confirmations is a critical function
 - GFXD will engage with SWIFT to better understand their resiliency plans
 - Sharing of this information with a wider audience will support GFXD members in their contingency planning
 3. Phishing
 - Opportunity to provide awareness of more sophisticated cap markets phishing methods
 - Goal is to support in-house training and increase member awareness across the FX lifecycle

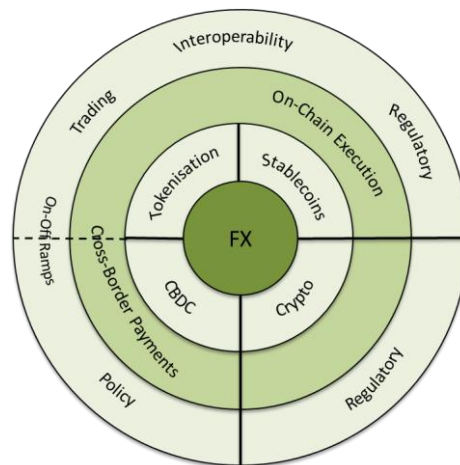
2.iii - FX Trading Venue Control

- Recent US fine has increased the focus on trading venue surveillance, control and governance processes
 - The 2021 UK PRA SS2/21 ‘Outsourcing and third-party risk management’ also inc. governance, controls and risk mgt
- Detailed OCC ‘Consent Order’ (Mar24) id. 9 specific trading venue and governance requirements, incl.
 - ‘the design and implementation of policies and procedures that provide for effective trading venue governance, data governance, and related controls’
 - ‘trade surveillance data governance and related control processes that adhere to the Bank’s Data Risk Management Policy and Standards’
- Initial thoughts/findings
 - Opportunity to standardise the key topics/questions to the trading venues – would improve efficiency and information
 - Whilst this is a cross-asset issue, FX is likely to have specific challenges to consider e.g. bespoke EM venues
- GFXD produced a “Trading Venues Questionnaire Template” to help standardize data and topics/questions of interest
 - General:** contacts, rulebook information, licenses, venue categorization
 - Entity Structure:** legal names, MIC, governing law, regulator, applicable rules and regulations
 - Trading:** execution protocols, products, limitations, provision of last look/PTMM/firm or indicative pricing
 - Access:** how is the venue accessed, who can access, how is this controlled
 - Control:** types of front-end and pre-trade controls used
 - Surveillance:** types and frequency of surveillance used, and types of data provided
 - Data:** how is trade data provided, how is client/bank data safeguarded, provision of automated data
 - Resiliency:** over-view of plans, protection against cyber

2.iv - Digital Money and FX

- Since 2022, there have been multiple significant product (i.e. tokenisation) and regulatory, (e.g. EU MiCA) developments across the digital landscape
 - Driven through public, private and joint sector experiments, across asset, jurisdictions and trade lifecycle
 - Some experiments/PoC have moved to production, e.g. Blackrock and Fidelity Tokenised Funds
 - Expectation that the change in US politics will now accelerate changes within the digital landscape
- FX has been/will be impacted via the need to support cross-border payments
 - Impact is expected to be initially limited to a subset of corporate and institutional investor spot volume
- Understood to be interest growing from corporates to leverage new technologies for EM payments
- Institutional interest for banks to join the crypto ecosystem to support their ETF activities

GFXD Digital Dartboard



Evolving Digital Landscape

- Multiple FX touchpoints
- Global in nature
- Some related to operational improvements
- Others offer trading opportunities

Potential size of digital cross-border payment market is limited*

- Corporate/trade - ~\$150bn/day
- Securities transactions - ~\$230bn/day
- Intraday swaps - \$?

Costs of providing liquidity likely to further limit use of atomic settlement

* BIS 2022 triennial survey

2.v - Future of FX (FoFX) Project

- GFXD have commenced work on a “Future of FX” Project for our members, to help understand the impact of the significant changes occurring in the FX market
 - To identify what are the most important drivers of change e.g., Regulation, cost, technology, client needs, credit
 - To identify how these impact the FX market structure, participants, platforms and products
 - To assess the impact on the FX market today and how these drivers of change will impact the FX market of the future
- This is the 3rd GFXD FoFX report (prev. reports 2018, 2021) and will be conducted over 6 months
 - Employ the use of external consultants to deliver the report (EY)
 - The final report is for the use of members and to support future GFXD work
- The field work of the report is underway, 3 workstreams to develop a series of themes/working hypotheses
 1. Market Survey
 - Outreach to over ~800 market participants for their input into a survey questionnaire (survey live until March 31st)
[GFXD Future of FX Survey Questionnaire Feb 2025](#)
 - All respondents receive a copy of the survey results
 2. Series of 1:1 interviews with ~50-75 SME’s
 3. Series of SME Workshops on topics such as regulation, execution platforms, liquidity

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