

MINUTES

SCANDINAVIAN FX COMMITTEE

26 October 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
Robin Ahlen	Sveriges Riksbank
Jørn Lodborg,	Jyske Bank
Kim Winding Larsen,	ACI FMA
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
Jukka Lohdemaki	Centralbank of Finland
Anders Åkerlund	Handelsbanken
Eske Traberg Smidt,	Danske Bank

Jesper Bech Schultz,	Danske Bank
Carl-Andreas Claussen	Sveriges Riksbank
Reimo Juks	Sveriges Riksbank

1. Introduction and recap from the GFXC

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

A short recap of the latest developments from GFXC was made. Noteworthy, the publication of

- the revised FX Global Code on 15 July 2021
- guidance paper on Last Look topic and templates for disclosures on 18 August 2021

A short discussion followed on the implementation of the revised Global Code on sell side, where work has been done on especially disclosure. Further, the need for renewing the statement of commitment for the FX Global code was also debated. There was a call for a general recommendation from GFXC regarding the need for renewing the Statement of Commitment for sell side involved in electronic trading.

The Next GFXC meeting will be held 9 December 2021.

2. Presentation by Danske Bank: Developments in the Cross-Currency markets in the light of the transition to RFRs

Presentation from Danske Bank was held by Eske Traberg Smidt and Jesper Bech Schultz.

The presentation went through the developments in the different jurisdictions. Progress were made in the Scandinavian currencies, but the transition from IBORs to RFRs was lagging behind some of the main jurisdictions such as US and UK, where large steps have been taken towards RFRs lately. In markets where LIBOR has been the dominating reference rate, the market is now driven by "RFR first". Hence, cross-currency markets are also quoted on an RFR/RFR basis.

Further, a walk-through of the technical parts of the transition - especially in regards to how cross-currency markets handle trades between an IBOR-leg and an RFR-leg.

A general comment from the market participants was that until now the transition has been a smooth process. However, the missing standardisation on the use of RFRs across products has extended the transition to some degree. Furthermore, there was the risk of split-liquidity.

3. Presentation by Riksbanken: Central bank Digital Currency

The Riksbank made a thorough presentation of CBDC in Sweden called e-krona. The background behind e-krona was a sharp decline in the use of physical cash and this has let Riksbanken to look at e-krona as a possible alternative.

Members of the committee were active in the discussion of the need of a CBDC in developed economies with strong digital payment infrastructure as the Scandinavian countries. Some of the main arguments for considering e-krona were a continued access to central bank money from end-users, resilience and diversity of payments as well as improving cross-border payments.

Further, Riksbanken presented their views on the impact on financial stability, policy implementation and FX market with the introduction of a CBDC.

In general, there were discussions in committee on how to mitigate the risk of strong inflows to CBDC and hence worsen banks' liquidity and funding situation, especially in crisis situations where CBDC will introduce a new safe asset. There was a discussion on the effectiveness of a cap on holdings and the potential as an asset to store wealth in a negative interest rate environment.

In addition, the role of the central bank in regard to anti-money laundering and cross-border payments were also brought up in the committee.

The committee concluded that we would revisit the development in this area as the implication for the FX markets can be significant.

4. Other

The chair expressed gratitude for the two presentations and the following open discussions.

If needed before the next GFXC-meeting in December a written procedure will be used.