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FXPA's Lowry on bringing an FX angle to the CFTC

Paul Golden November 17, 2022

State Street's Chip Lowry, a board member and former chair of the Foreign Exchange Professionals Association, talks to Euromoney about his new role on the Commodity Futures Trading Commission's market risk advisory committee.

In September, the Foreign Exchange Professionals Association (FXPA) announced that Chip Lowry – a senior managing director at State Street and former chair of the association – had been selected as a member of the Market Risk Advisory Committee of the Commodity Futures Trading Commission (CFTC) in the US.

The committee advises the CFTC on matters relating to the evolution of market structures and movement of risk across clearing houses, exchanges, intermediaries, market makers and end-users, examining systemic issues that threaten the stability of the derivatives markets and other financial markets and making recommendations on how to improve market structure and mitigate risk.

Given that the FXPA was established to engage with regulators and policymakers, the body has much to gain from getting a seat at the CFTC's table.

"The market risk advisory committee represents an important forum for the industry and the Commodity Futures Trading Commission to confer on issues that impact financial markets," Lowry tells Euromoney.

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Chip Lowry, FXPA

The newest member of the CFTC committee comes with a deep knowledge of the foreign exchange industry, market and infrastructure acquired over more than three decades at State Street.

"Regulation can have unintended consequences for the FX market, such as bifurcating liquidity or even hampering liquidity formation," he explains. "Having these perspectives will benefit the committee as it considers the implications of policy initiatives."

This is the first time the FXPA has been represented on the CFTC committee and Lowry describes the invitation to join as a demonstration of the increased recognition of the FXPA as a trusted resource.

He says his primary goal is to represent the collective interests of professional foreign exchange market participants.

"The market risk advisory committee has an impressive list of members covering a wide range of views, but the FXPA is the only industry organization that represents the combined views of liquidity providers, buy-side firms, trading platforms and exchanges," he says.

"It is also the only FX-focused organization with a seat on the committee. While our member institutions have views and engage across markets, our contributions will be through the lens of global currency markets, including on issues related to derivatives and digital assets."

Engagement

The FXPA launched in 2014 with members including Bank of New York Mellon, CalPERs, Campbell & Company, Citadel, CME Group, GFI Group, LCH.Clearnet, LMAX Exchange, Traiana and Virtu Financial.

The following year, Lowry told Euromoney that members of the FXPA had spent two days in Washington meeting with senior members of the Federal Reserve and US Treasury as well as the CFTC, on the basis that "if policymakers understand that there are tensions between different parts of the market, they will better appreciate how their decisions affect foreign exchange."

Over the last 18 months, the FXPA has provided feedback to the Global Foreign Exchange Committee (GFXC) on its draft guidance paper for 'last look', recommending clarification that operators of trading venues would not be required to enforce its provisions or recommendations since they cannot police the practices of liquidity providers.

When asked how the GFXC reacted to the feedback on the draft guidance paper for last look, Lowry says that many FXPA member institutions participate as private sector representatives on GFXC working groups and that the association "supports the goals of the FX global code and has worked with the GFXC to promote it, particularly among buy-side firms."

More recently, the FXPA's submission on the pre-hedging consultation paper from the European Securities and Markets Authority (ESMA) suggested that the proposed working definition of pre-hedging was too broad.

The FXPA argued that the approach should focus on trading activity undertaken by an investment firm where the investment firm is dealing on its own account and the trading activity takes place before that foreseeable transaction has been executed.

Lowry notes that the FXPA has recently engaged on a number of other FX-specific and market-wide regulatory and policy issues in the US, Europe and Asia. More specific to derivative markets, it has been involved in questions related to the trading and clearing of non-deliverable forwards, the regulation of digital assets, post-trade swap data reporting, and swap execution facility registration and regulation.

"We have active working groups on a number of topics and will continue to educate and engage with regulators and policymakers," he adds.

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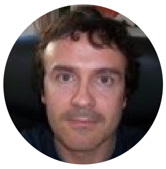

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Paul has written about finance since the early 2000s, with a particular emphasis on foreign exchange, treasury and wealth management. He is a regular contributor to several industry titles in addition to Euromoney.