



# AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

## MINUTES OF DECEMBER 2014 MEETING

Thursday 11 December 2014

Reserve Bank of Australia

65 Martin Place

### **Attendees**

Guy Debelle, RBA (Chair)  
Matt Boge, RBA (Secretary)  
Chris Howlett, ACI Australia  
Jack Richards, ACI Australia  
Murray Regan, AFMA  
Luke Marriott, ANZ  
Itay Tuchman, Citibank  
James Connell, CBA  
Rachael Hoey, CLS (via conference)  
Stewart Cox, BHP Billiton (via conference)  
Lee Merchant, Deutsche Bank  
Chris Soriano, EBS  
Stephen Gilmore, Future Fund  
David Nolan, Goldman Sachs  
David Kendrick, HSBC  
Andrew Mourd, JP Morgan  
Will Richardson, Macquarie Bank  
Mark Lawler, National Australia Bank  
Gary Latner, Thomson Reuters  
Hugh Killen, Westpac

### **Apology**

Simon Warner, AMP Capital

### **Guest**

Keith Sedergreen, ACI Australia (for part of meeting)

### **Secretariat**

Vicki Newman, RBA

### **1. Minutes of Previous Meeting**

The minutes of the previous meeting were accepted without modification.

### **2. Welcome to New Members**

The Chair welcomed new members Stewart Cox (BHP Billiton), Itay Tuchman (Citigroup) and Andrew Mourd (JP Morgan).

### **3. Matters arising from the Minutes**

The Chair advised that the Council of Financial Regulators had discussed the information provided to them by the Committee on leverage and credit card usage in retail FX trading.

### **4. Codes of Best Market Practices and Shared Global Principles**

Prior to the meeting, the Secretary distributed for comment a draft version of a statement (“Codes of Best Market Practices and Shared Global Principles”) that had been jointly prepared by the secretariats of the eight global FX committees (including the AFXC). The Chair thanked those members that had responded. The Committee endorsed the draft statement. The Secretary advised that the other FX committees were also in the process of reviewing the document. A final version will be available for sign-off ahead of the next meeting of global FX committees in Tokyo in March 2015

The Secretary also presented another statement that had been drafted by the global FX committees. This statement acknowledges the importance of the FSB’s *Foreign Exchange Benchmarks* report and states that global FX committees are working together to consider how best to incorporate the relevant guidance into their best practices documentation. It is intended that the statement be jointly published by the FX committees in January 2015. The Committee discussed the recommendations contained in the FSB’s report and agreed to the statement being published on the AFXC’s website at that time.

ACI Australia reported that an updated version of the ACI Model Code was on track for release by end December 2014.

### **5. FX Licensing**

There was a general discussion on the pros and cons of developing an overarching global licensing regime for FX market participants.

### **6. UK Fair and Effective Market Review (FEMR)**

The Chair encouraged Committee members to review the UK’s FEMR consultation document “How fair and effective are the fixed income, foreign exchange and commodities markets?” that was released in October. The consultation period ends on 30 January 2015.

### **7. Last Look**

The evolution and practice of ‘Last Look’ functionality on electronic platforms was discussed.

## **8. General Business**

The Chair advised that the next meeting of global FX committees would be held in Tokyo in March 2015. The Chair, Secretary and Luke Marriott will represent the AFXC.

Going forward, it was agreed that it would be appropriate for the Chair to brief ASIC on issues raised at Committee meetings.

Liquidity in spot FX and short-term FX swap markets was discussed. It was generally agreed that the reduced liquidity in FX swaps was structural in nature, with regulatory and other changes limiting organisations' willingness to arbitrage. Spot currency liquidity has been similarly affected with a reduction in organisations' capacity to absorb risk. More recently, these effects had been compounded by the proximity of year end, which usually tends to reduce market participation.

## **9. Next Meeting**

Next scheduled meeting:                      Thursday 5 February 2015