



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF JUNE 2015 MEETING

Wednesday 17 June 2015

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

Joe Kassel, AMP Capital

Luke Marriott, ANZ (via teleconference)

Stewart Cox, BHP Billiton (via teleconference)

James Connell, CBA

Rachael Hoey, CLS (via teleconference)

Itay Tuchman, Citibank

Darren Boulos, Deutsche Bank

Darryl Hooker, 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

Apologies

Simon Warner, AMP Capital

Secretariat

Vicki Newman, RBA

1. Minutes of Previous Meeting

The minutes of the previous meeting were accepted without modification.

2. Matters arising from the Minutes

None.

3. Summary of responses to survey on implementation of FSB recommendations for FX benchmark reforms

As discussed at the previous meeting, the Chair of the Financial Stability Board (FSB) [wrote](#) to the AFXC (and FX Committees in other centres) in March, asking for an update on progress in implementing the FSB's recommendations regarding FX benchmarks. A summation of the results of a survey that Committee members had been asked to complete in May was circulated for discussion. This would form the basis of the response to the FSB which would be circulated for comment in the coming weeks.

The survey confirmed that all relevant members have now introduced (or are in the process of introducing) charges for certain fixing transactions, although the range of fixing transactions that attract charges varies. Full implementation of new and separate processes for managing fix orders in the manner recommended by the FSB is in train, but in some cases, is yet to be completed. For most respondents, guidelines for the sharing of information relating to respondents' positions or those of their clients have been enhanced recently or are in the process of being enhanced.

4. BIS working group on 'Foreign exchange market best practices' and the establishment of a single global code of conduct

The Chair discussed the recent formation by the BIS Governors of a [working group](#) that will seek to establish a single global code of conduct for the foreign exchange market and promote greater adherence to such standards and principles. The working group has been set up under the auspices of the BIS Markets Committee and will be chaired by Guy Debelle. A Market Practitioners Group will be formed to provide input to the working group.

5. UK Fair and Effective Markets Review

The final report of the UK's [Fair and Effective Markets Review](#) was discussed. It was noted that certain of the Review's recommendations relating to the foreign exchange market will be taken up by the BIS working group discussed above.

6. HSRA legacy Issues

Prior to July 2008, the AFXC administered the hedge settlement rate (HSRA) as a benchmark AUD/USD rate for the Australian market. In July 2008, the HSRA was replaced by the 'WM/Reuters Australian Fix 10am rate'. This rate is administered by the WM Company, who also arrange for its publication. The AFXC no longer calculates, administers or publishes any exchange rate benchmarks.

On 25 May 2015, WM did not calculate or publish any exchange rate fixes (including the Australian 10am rate), consistent with their [policy](#) regarding holidays. (WM only calculate spot fixes on those days where two or more of the German, Japanese, UK and US foreign exchange centres are open.) This was the first known instance since July 2008 where the Australian market was open but no WM AUD fix was calculated. Based on the current holiday [schedules](#) for the offshore centres, this situation is not expected to recur any time in the next five years.

The AFXC Secretariat received a number of enquiries about the unavailability of the benchmark rate on 25 May. As that rate is the responsibility of the WM Company, AFXC members agreed that market participants should be discouraged from using the term 'HSRA' when referring to the WM benchmark, to avoid any confusion regarding the role of the AFXC in administering the benchmark. The AFXC Secretariat agreed to contact Reuters and Bloomberg regarding the publication of the WM rate on their services, as certain of their pages still label the rate as the HSRA.

7. Rebranding AFMA/AFXC Foreign Exchange and Foreign Currency Options Conventions

The current conventions for the Australian foreign exchange market are jointly produced by the Australian Financial Markets Association (AFMA) and the AFXC. AFMA suggested - and AFXC members agreed – that, going forward, the conventions would be the sole responsibility of the AFXC. The AFXC Secretariat undertook to reissue the conventions reflecting that change and coordinate a process by which the conventions are regularly reviewed.

8. Movements in AUD ahead of key announcements

At their previous meeting, AFXC members had discussed the unusual movements in the Australian dollar just prior to the publication of the RBA's monetary policy announcements earlier in the year and the role that market structure and automated trading may have played in generating those outcomes. For subsequent announcements, no unusual price movements had been observed, although the Chair highlighted one comparable episode just prior to the release of certain economic statistics in early June. Members noted that the type of adjustments to trading algorithms that may have played a role in triggering movements in the currency prior to monetary policy announcements are also commonly made ahead of key data releases.

9. General Business

ACI Australia confirmed that, in addition to the mid-rate, they are now receiving the bid- and ask-rates for the WM/Reuters Australian Fix 10am and 4pm rates from the WM Company and would shortly commence publishing the additional rates on their website.

10. Next meetings

17 September 2015

10 December 2015

**Australian Foreign Exchange Committee
June 2015**