



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF August 2016 MEETING

Thursday 11 August 2016
Reserve Bank of Australia
65 Martin Place

Attendees

Guy Debelle, RBA (Chair)
Matt Boge, RBA (Secretary)
Keith Sedergreen, ACI Australia
Murray Regan, AFMA
Luke Marriott, ANZ
Mark Ferguson, Australian Super
Winnie Tan, Bank of China
Stewart Cox, BHP Billiton (via conference call)
David Hatzidis, CBA
Itay Tuchman, Citigroup
Rachael Hoey, CLS (via conference call)
Lee Merchant, Deutsche Bank
Darryl Hooker, EBS
Stephen Gilmore, Future Fund
Andrew Mourd, JP Morgan
Mark Lawler, National Australia Bank
Will Richardson, Macquarie Bank
Stuart Simmons, QIC
Gary Latner, Thomson Reuters
Chris Knight, XTX Markets
Hugh Killen, Westpac

Apologies

David Nolan, Goldman Sachs
Simon Warner, AMP Capital

Guest

Susan Black, RBA
Mike Coghlan, Reserve Bank of New Zealand

Secretariat

Jason Griffin, RBA

1. New Members

The Chairman welcomed new members Mark Ferguson (Australian Super), Stuart Simmons (QIC), Chris Knight (XTX Markets) and Jason Griffin (RBA). Additionally, he acknowledged the previous contributions of Tony Adams (Colonial First State) who has stepped down from the committee.

2. Minutes of previous meeting

The minutes of the previous meeting were accepted without modification.

3. Matters arising from the Minutes

None.

4. Semi-annual update on turnover in foreign exchange markets

Average daily turnover in the major foreign exchange markets increased by almost 10 per cent over the six months to April 2016, led by increases in Singapore and US markets. The increase in turnover was most predominant for USD/YEN, although EUR/USD remained the most traded currency pair. It was noted that the upcoming release of BIS Triennial data would likely show global turnover decreased by 10-15 per cent from the peak seen in the 2013 BIS survey. Global turnover in the Australian dollar decreased by 3 per cent over the six months to April, with AUD/USD remaining the fourth-most-traded pair. Members also noted data showing that around two-thirds of spot FX turnover in Australia was internalised by dealers.

5. Summary of May 2016 global meeting of Foreign Exchange Committees

The Chair briefed members on the recent [meeting](#) of global FXCs in New York, where each committee had endorsed the first phase of the Global FX Code for publication.

Hugh Killen summarised the discussion on liquidity conditions he had led in New York. The activities of prime brokers (and the role they have in monitoring their clients) and trends in electronic trading had also been discussed by the global FXCs.

6. Update on Global FX code

With phase one of the Code now published, drafting of the second phase materials has commenced. This second phase will include principles related to brokers, e-trading, prime brokerage, risk management and governance. A draft of the second phase materials will be circulated to all FXCs in October. Following further rounds of feedback, the full code is intended to be published in May.

The Chair and Hugh Killen briefed members on the development of potential mechanisms to support adherence to the Code. Different types of mechanisms were being considered, including market-based measures, regulation, FXC attestation, and education.

Hugh Killen also noted that a group of market participants involved in drafting the Code were specifically focussed on the Australian and Asian markets, seeking to ensure that the Code would be consistent with the institutional features of these markets (such as Asian NDFs).

7. Council of Financial Regulators' Consultation on Financial Benchmarks Regulatory Reform

In their recent consultation paper, the Council of Financial Regulators (CFR) proposed a regulatory regime that would draw a distinction between benchmarks that are 'systemically important' and those which are not. AFXC members were asked for their views on the profile of the 'WM/Reuters Australian Fix 10am (Sydney) rate' and the 'WM/Reuters Australian Fix 4pm (Sydney) rate'. Although it was noted that some corporates continued to make use of these rates as a reference, members agreed that these benchmark rates were not of systemic importance.

8. APRA Consultation on Prudential Standard CPS 226

APRA's recent draft proposal to mandate variation margin requirements on certain forward FX positions as a way to mitigate risk was discussed. Industry concerns over the potential divergence in margining requirements across jurisdictions were noted. The Chair commented that APRA was aware of this concern.

9. General Business

Murray Regan noted AFMA had received queries from the operation groups of smaller and/or offshore banks looking for the Australian conventions on FX options. Ways to improve access to this information via the websites of ACI/AFMA/AFXC were discussed.

10. Next meeting

Next scheduled meeting: 17 October 2016 at **4.00pm**