



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF APRIL 2015 MEETING

Thursday 23 April 2015
Reserve Bank of Australia
65 Martin Place

Attendees

Guy Debelle, RBA (Chair)
Matt Boge, RBA (Secretary)
Chris Howlett, ACI Australia
Michael Go, AFMA (via teleconference)
Simon Warner, AMP Capital
Luke Marriott, ANZ
Stewart Cox, BHP Billiton (via teleconference)
James Connell, CBA
Rachael Hoey, CLS (via teleconference)
Itay Tuchman, Citibank
Lee Merchant, Deutsche Bank
Darryl Hooker, EBS
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

Jack Richards, ACI Australia
Murray Regan, AFMA
Stephen Gilmore, Future Fund

Guest

Chauncy Stark, National Australia Bank

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. Movements in AUD ahead of Board announcements

The Chair referred to the commentary on this issue contained in the [minutes](#) of the April 2015 RBA Board meeting, where the discussion centred on the illiquid market conditions immediately preceding RBA announcements and the potential for algorithmic trading to exacerbate the effects of small transactions. As stated in those minutes, the Chair confirmed that internal RBA work had not identified any conduct or processes that could have led to the relevant information being released early and that ASIC's investigations were continuing and involved the scrutiny of large volumes of transactional data.

The Chair sought members views on the trading conditions ahead of the release time and their implications for market functioning. If the pricing movements were simply reflective of market structure, the Chair asked members of the committee for ideas on what measures, if any, could be taken to address the issue.

4. Implementation of FSB recommendations for FX benchmark reforms

The Chair referred to the March 2015 [letter](#) from FSB Chair Mark Carney requesting the assistance of the AFXC in monitoring market participants' progress in implementing recommendations from the FSB's September 2014 report on FX benchmarks. The Chair advised that twelve market centres were involved in this exercise and that a questionnaire would shortly be provided to members. In submitting their responses, members were encouraged to raise any other outstanding issues regarding the FSB's recommendations. Based on the members' feedback, the Chair will compile a proposed response by the AFXC to the FSB for consideration at the next AFXC meeting.

In the subsequent discussion, it was noted that a large segment of the wholesale market had now adopted fee structures when executing for clients at the WM/Reuters fixes and that the wider fixing window adopted by WM/Reuters appeared to be working well.

5. WM/Reuters AUD bid/offer rates and potential for cross fixes

Since 2008, the mid rates of the WM/Reuters 10am and 4pm (Sydney) fixes for AUD/USD have been made available for publication on ACI Australia's website and via electronic media (Reuters, Bloomberg). The Secretary advised that he was liaising with the WM Company regarding the possibility of publishing bid and ask rates alongside the mid rates. ACI Australia noted that they were often asked about the possibility of publishing AUD fixes against other currencies.

6. Tokyo meeting of global Foreign Exchange Committees (FXCs)

The Chair briefed members on the recent meeting of global FXCs in Tokyo. The updated [‘Codes of Best Market Practice and Shared Global Principles’](#) (which had been jointly drafted by the FXCs) had been approved and was subsequently published by each Committee. The FXCs also agreed to work towards further harmonisation of their individual codes and examine ways to promote greater adherence to these codes. The Chair asked AFXC members to consider the latter issue for discussion at the next meeting.

At their Tokyo meeting, the FXCs also discussed the volatility in FX markets that followed the Swiss National Bank’s January policy announcement. In this context, AFXC members discussed the relevance of changes in market structure, with some suggesting that adjustments to periods of dislocation were getting longer.

Members heard from CLS that the volume and values of spot transactions settled by CLS increased Q1 2015 versus 2014, but this trend was not reflected in swaps. Members discussed whether these trends were cyclical or structural and the extent to which regulatory changes may be having an effect.

7. Retail FX

The Chair reported to the committee that he had again raised the topic of retail FX with the Council of Financial Regulators. He noted that some firms had recently ceased offering FX products to retail customers as ASIC increases its focus in this area. The issue as to the extent of leverage offered to customers in this sector still remains, however.

8. Time Stamps

The AFXC had received an inquiry asking if there had been any discussion by the Committee into the use of time stamps for FX trades. In their discussion, members saw the provision of time stamps as an issue between dealers and their customers; however, if customers requested time stamps, standard practice should be to make them available.

9. General Business

The Chair welcomed Darryl Hooker to the committee. Darryl has replaced Chris Soriano as the EBS representative.

The AFXC had received an inquiry about what the appropriate time was to fix the AUD/USD when crossing with Asian NDF fixes against the USD. The committee agreed that standard practice was to fix the AUD/USD as close as possible to the relevant NDF fix or at a time that had been previously agreed between the dealer and their customer.

Next scheduled meeting: Wednesday 17 June 2015