



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF FEBRUARY 2016 MEETING

Thursday 18 February 2016

Reserve Bank of Australia

65 Martin Place

Attendees

Guy Debelle, RBA (Chair)
Matt Boge, RBA (Secretary)
Chris Howlett, ACI Australia
Murray Regan, AFMA
Simon Warner, AMP Capital
Luke Marriott, ANZ
Winnie Tan, Bank of China
Stewart Cox, BHP Billiton (via teleconference)
David Hatzidis, CBA
Rachael Hoey, CLS
Itay Tuchman, Citibank (via teleconference)
Tony Adams, Colonial First State
Lee Merchant, Deutsche Bank
Simon Watkin, EBS
Stephen Gilmore, Future Fund
David Nolan, Goldman Sachs
Andrew Mourd, JP Morgan
Will Richardson, Macquarie Bank (via teleconference)
Chris Day, National Australia Bank
Gary Latner, Thomson Reuters
Hugh Killen, Westpac

Guest

Vanessa Rayner, RBA

Apologies

Darryl Hooker, EBS
Mark Lawler, NAB

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

The Chair welcomed new members from Bank of China and Colonial First State to the committee. The Chair confirmed that, starting with today's meeting, the representation of foreign banks would rotate on an annual basis.

3. Summary of feedback on single global code of conduct for the foreign exchange market

The Chair, Secretary and Hugh Killen updated the committee on the BIS Working Group's progress in drafting the Global FX Code. A summary of the AFXC members' feedback on the 2 February draft of the Code was circulated and discussed by the committee.

The following issues were the most commonly cited by the members that provided feedback:

- Proposing that the distinction between principal and agent business models was clearer;
- Looking for clearer guidelines around pre-hedging;
- Seeking refinement of the language around 'high-risk' transactions;
- Feedback around the examples was positive. However, there was a general view that more examples should be included and that a greater number of examples that illustrated appropriate behaviour would be beneficial, notwithstanding regulatory concerns about providing 'safe harbour' to market participants.

4. Semi-annual update of foreign exchange turnover

Average daily turnover in the major foreign exchange markets declined by 9 per cent over the six months to October 2015, and was primarily driven by lower turnover in the US and UK markets. The decline in turnover was reasonably broad-based across major currency pairs and, by instrument, was driven by a fall in spot turnover. Global turnover in the Australian dollar decreased by 2 per cent over the six months to October in US dollar terms. The AUD/USD currency pair remained the fourth-most-traded pair in major markets.

5. General Business

The CLS representative updated the committee on the changes in values and volumes settled through CLS over the previous 12 months.

6. Next Meeting

19 May 2016