



# AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

## MINUTES OF OCTOBER 2016 MEETING

Monday 17 October 2016

Reserve Bank of Australia

65 Martin Place

### Attendees

Guy Debelle, RBA (Chair)  
Matt Boge, RBA (Secretary)  
Keith Sedergreen, ACI Australia  
Murray Regan, AFMA  
Simon Warner, AMP Capital  
Luke Marriott, ANZ  
Mark Ferguson, Australian Super  
Winnie Tan, Bank of China  
David Hatzidis, CBA  
Itay Tuchman, Citigroup  
Rachael Hoey, CLS (via conference call)  
Lee Merchant, Deutsche Bank  
Simon Watkin, EBS  
Stephen Gilmore, Future Fund  
David Nolan, Goldman Sachs  
Andrew Mourd, JP Morgan  
Mark Lawler, National Australia Bank  
Peter Fogarty, Macquarie Bank  
Stuart Simmons, QIC  
Gary Latner, Thomson Reuters  
Chris Knight, XTX Markets (via conference call)  
Hugh Killen, Westpac

### Apologies

Stewart Cox, BHP Billiton

### Guest

Mike Coghlan, Reserve Bank of New Zealand (via conference call)

### Secretariat

Jason Griffin, RBA

### **1. Minutes of previous meeting**

The minutes of the previous meeting were accepted without modification.

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

None.

### **3. Volatility in GBP trading on 7 October**

The committee discussed factors around the decline in GBP/USD on 7 October, with focus on the speed of the move. The pound had been under downward pressure in the preceding days amid concerns about an increased likelihood of a 'hard exit' of Britain from the EU. The decline accelerated sharply on 7 October, with members suggesting much of the selling pressure came from electronic or algorithmic accounts. Members also viewed the speed of the decline as further evidence of this sector driving activity. Potentially exacerbating the decline was the triggering of stops from retail accounts and activity related to option positions. It was generally agreed that there was no evidence to date to suggest the decline had been caused by erroneous trading.

Members discussed the role of electronic trading platforms in the decline, including the lack of liquidity and client activity below 1.18. Most members agreed the subsequent bounce in GBP was driven by buying from 'voice' or real money accounts. Noteworthy was the lack of impact on other currencies, which was indicative that certain strategies in the market at the time were GBP-specific.

### **4. Feedback on the draft FX Global Code**

Following the first release of the full draft of the FX Global Code to members in early October, members had submitted feedback on the draft to the Secretariat in recent days. The Chair advised that foreign exchange committees globally would be given another opportunity to review and comment in December, before the distribution of a 'fatal flaw' draft in February.

There was a broad discussion on the draft, with some time spent on the illustrative examples. Although the draft examples broadly received a positive response, greater clarity was sought on those examples which highlighted transactions which may be deemed to potentially disrupt normal market activity.

### **5. Adherence to the FX Global Code**

Members discussed the potential use of attestations by firms to demonstrate that they are following the code. Some questions were raised over how a global entity might attest; eg, through the parent or by each of the affiliated entities. There was also a discussion on which other industry bodies might voice their support for the code.

### **6. Update on FX benchmarks**

The Chair noted the Government's recent announcement that it had accepted the recommendations of the Council of Financial Regulators (CFR) and would seek to introduce regulatory reforms surrounding financial benchmarks. The CFR's advice to Government had noted that WM/Reuters AUD rates may be considered a 'significant' benchmark under the new regime.

One member raised an issue over a recent fixing of the 'WM/Reuters Australian Fix 10am rate'. The member noted they could not replicate the published rate and were discussing the matter with WM.

### **General Business**

The ACI raised the issue of Christmas and New Year's trading hours. While it was up to each bank to decide on the hours they staffed their offices, ACI noted the Australian FX market would be officially open on Monday 26 December and Monday 2 January 2017. The opening hours were determined following liaison with members and after observing the opening hours of other financial centres.

### **7. Next meeting**

Next scheduled meeting: 16 December 2016 at 4.00pm

**Australian Foreign Exchange Committee**  
**October 2016**