



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF March 2018 MEETING

Thursday 22 March 2018
Reserve Bank of Australia
65 Martin Place

Attendees

Christopher Kent, RBA (Chair)
Keith Sedergreen, ACI Australia
Mark McCarthy, AFMA
Simon Warner, AMP Capital
Luke Marriott, ANZ
Mark Ferguson, Australian Super
Winnie Tan, Bank of China
Stewart Cox, BHP Billiton (via conference call)
David Hatzidis, CBA
Andrew Walsh, Citigroup
Rachael Hoey, CLS (via conference call)
Lee Merchant, Deutsche Bank
Darryl Hooker, NEX (via conference call)
Stephen Gilmore, Future Fund
Andrew Mourd, JP Morgan
Will Richardson, Macquarie Bank
Mark Lawler, National Australia Bank
Stuart Simmons, QIC
Graeme Edie, Westpac
Chris Knight, XTX Markets

Apologies

Gary Latner, Thomson Reuters
David Kendrick, HSBC

Guests

Jarkko Jaaskela, RBA
Mark Perry, RBNZ (via conference call)

Secretariat

Matthew Boge, RBA (Secretary)
Jason Griffin, RBA

1. Minutes of previous meeting

The minutes of the previous meeting were accepted without modification.

2. FX turnover data

The results of the semi-annual survey on FX turnover for October 2017 showed major market turnover was broadly unchanged, although AUD turnover and Australian market turnover declined over the period. It was noted that the declines were likely due to temporary factors. Members were advised that, with the BIS Triennial survey coming up, there will be some changes to the 2019 survey template. It was also proposed that the frequency of FX data collection locally be reduced from quarterly to semi-annual in order to bring it into line with similar surveys in other markets and to reduce administrative burdens; this proposal met no objections.

3. GFXC Meeting on 27 June

a. AFXC representation

The next Global Foreign Exchange Committee (GFXC) meeting will be held in South Africa on 27 June. The AFXC will be represented by Christopher Kent and Mark Lawler (NAB).

b. GFXC work agenda

Members were briefed by the Secretary on the current GFXC working groups. The first of these groups was preparing a paper describing and discussing issues around the role 'cover and deal' trading models play in the FX market. Other groups were looking at whether the Code would benefit from the inclusion of additional examples on pre-hedging, and the role that disclosures currently play in providing clarity on the trading practices of market participants. Papers would be presented to the GFXC meeting in June. AFXC members were also invited to provide their assistance to these working groups.

c. Annual review of FX Global Code

At its launch, the GFXC committed to undertaking an annual review of the Code. The current working groups and the recent completion of the 'last look' consultation were seen as satisfying this requirement.

Nevertheless, members were asked if there were other aspects of the Code they wished the GFXC to review at this point. The use of iceberg orders was discussed, with most members agreeing that as long as there was an intention to trade, this order type was not inconsistent with the Code.

4. Update on public registers for Statements of Commitments

The GFXC will launch its index of public registers in May. The member from AFMA (which, along with ACI Australia, administers a register) noted that it would be burdensome for participants to post their Statements of Commitments on multiple registers (and keep them all up to date), and may create problems for those monitoring which institutions have adopted the Code. The member from AFMA suggested they would contact administrators of other public registers in the region to look for ways to combine their offerings or otherwise collaborate.

5. Retail FX

Members discussed recent developments in the Australian retail FX market. It was agreed that the chair should seek an update from ASIC on their monitoring and licencing of retail FX providers.

6. Monday opening hours

Graeme Edie (a member of both the AFXC and GFMA) provided an update on the GFMA's work on possibly changing Monday morning's opening time for FX markets. He noted the GFMA was going through a process of writing a discussion paper which would be distributed to central banks and FXCs globally for comment. Further steps in the GFMA process were to look at any legal ramifications of delaying the opening hour and assessing likely client uptake. The GFMA Board would then consider voting on progressing this matter further.

It was noted the New Zealand Financial Markets Association had sent a letter to the AFXC strongly advocating no change to opening hours. Mark Perry from the RBNZ and AFXC members discussed the case for keeping the current opening hours. While it was agreed the AFXC should wait for the feedback window allowed for in the GFXD process, it was also agreed that members should briefly communicate their views in writing to the AFXC Secretary ahead of that process.

7. Update from CLS

Rachael Hoey updated the committee on current CLS initiatives: the clearing of options (through LCH); same-day payment-versus-payment gross settlements in CAD, CHF, EUR, GBP and USD; further tools for post-trade monitoring and reporting.

8. Rotation of AFXC membership

The Chair thanked Stephen Gilmore (Future Fund) for his service, and noted that Simon Sukhaseume (State Street Global Advisors Australia) would join the committee at the next meeting.

9. General business

None.

10. Next meeting

21 June 2018.

**Australian Foreign Exchange Committee
March 2018**