



# AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

## Minutes of June 2022 Meeting

Thursday 16 June 2022

Conducted via videoconference

### Attendees

Christopher Kent, RBA (Chair)  
Keith Sedergreen, ACI Australia  
Damian Jeffree, AFMA  
Luke Marriott, ANZ  
Winnie Tan, Bank of China  
Sarah Costello, BHP Billiton  
David Hatzidis, CBA  
Aaron Ng, Citigroup  
Lee Merchant, Deutsche Bank  
Scott Sloman, Goldman Sachs  
Will Richardson, Macquarie Bank  
Heath Moody, National Australia Bank  
Simon Watkin, NEX  
Stuart Simmons, QIC  
Gary Latner, Refinitiv  
Jeremy Carr, Suncorp  
Chris Knight, XTX Markets

### Apologies

Andrew Scott, AMP  
Andy Lukas, HSBC  
Gareth Taylor, Westpac

### Secretariat

Matthew Boge, RBA (Secretary)  
Jason Griffin, RBA

## **1. Welcome and Competition Guidelines**

In noting that Lee Merchant (Deutsche Bank) would be leaving the Committee, the Chair thanked him for his contributions to the AFXC over the years.

The Chair reminded attendees that the meeting would be conducted in line with the RBA's [Competition Law Guidance](#).

## **2. Update on cross currency swap market**

The member from Citigroup updated members on developments in the cross currency swap market. In particular he noted the implications of the recent switch from referencing IBORs to referencing risk-free rates in the major currencies. For Australian dollars, the usage of swaps referencing AONIA (the risk-free rate) remained limited, such that the market was predominantly trading BBSW/SOFR in AUD swaps against USD. The member noted that liquidity in the cross currency swap market remained lower than three to four years ago, but was functioning well since the transition to risk-free rates. The member from QIC commented that there had been some challenges with the valuation process across different valuation agents and systems since the switch from BBSW/LIBOR to BBSW/SOFR.

## **3. Statements of Commitment to the FX Global Code**

The Chair reminded members there was an expectation that sell-side members (and other members for which the changes to the Code were material) should renew their Statements of Commitment by end-July 2022. Foreign bank members could work to timelines set by their home FXC, although it was understood that most other FXCs had also set a deadline of end-July.

## **4. Global Foreign Exchange Committee (GFXC) Work Agenda**

Following a survey of local FXCs, the GFXC Secretariat had advised that their work agenda would prioritise looking at measures to assist buy-side adherence, including via a working group on the proportional application of the Code, and separate work that focuses on how Code adherence can link with broader ESG considerations. A market survey was also planned for the second half of 2023 to gauge the effectiveness of the recent Code review.

The member from QIC is a member of the working group on proportionality and would be providing an update to the GFXC at their meeting in late June. He outlined elements of the work to the AFXC, including the development of a tool to help buy-side institutions focus on the principles of the Code that are likely to be of most relevance to them.

The Chair outlined that the upcoming GFXC meeting would also include thematic discussions on FX settlement risk and data availability (including whether there is 'fair' access to data across the array of market participants). The Chair would also be updating the GFXC on the AFXC's program for further buy-side outreach. In that vein, he asked sell-side members to each contact some specific buy-side clients in the coming months regarding Code awareness and report on their efforts at the next meeting.

## **5. WM/R Fixing Rates**

The member from NAB updated members on their recent engagement with the WM/R benchmark administrator regarding the consistency of spreads that were being applied to forward rates. The concern had been that the spreads were not always reflective of market conditions. The member noted that the dialogue with the administrator had been constructive and that the quality of the fixing had improved. Other members noted that they had also had constructive engagement with the WM/R administrator in recent times and the Chair encouraged members to keep the Committee informed of any emerging issues.

## **6. FX Trading Conventions**

Members discussed a draft of Australian FX trading conventions which had previously been circulated for comment. The member from ACI Australia noted that the ACI would shortly publish a *Further Guidance Handbook* that may cover similar ground. It was agreed that further consideration of the draft Australian conventions would be deferred until AFXC members were able to review the ACI document. The Chair noted that robust governance arrangements would need to be specified for any trading conventions developed for the Australian market.

## **7. Other Business**

Simon Watkin (CME) updated members on the migration of the EBS trading system into the CME's Globex platform, which occurred during May. He noted the migration had been a success and that top-of-book spreads had tightened more broadly.