



# AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

## MINUTES OF SEPTEMBER 2014 MEETING

Thursday 4 September 2014

Reserve Bank of Australia

65 Martin Place

### **Attendees**

Guy Debelle, RBA (Chair)

Matt Boge, RBA (Secretary)

Murray Regan, AFMA

Luke Marriott, ANZ

Rod Lane, Bank of America Merrill Lynch

Rachael Hoey, CLS (via conference)

Alison Belot, BHP Billiton (via conference)

Darren Boulos, Deutsche Bank

Chris Soriano, EBS

Stephen Gilmore, Future Fund

David Nolan, Goldman Sachs

David Kendrick, HSBC

Will Richardson, Macquarie Bank

Mark Lawler, National Australia Bank

Gary Latner, Thomson Reuters

Hugh Killen, Westpac

### **Apologies**

Chris Howlett, ACI Australia

Jack Richards, ACI Australia

Simon Warner, AMP Capital

James Connell, CBA

Andrew Mourd, JP Morgan

### **Guest**

Keith Sedergreen, ACI Australia

Mark Wyrzykowski, RBA

### **Secretariat**

Vicki Newman, RBA

### **1. Minutes of Previous Meeting**

The minutes of the previous meeting were accepted without modification.

### **2. Welcome to New Members**

The Chair welcomed new members Alison Belot (BHP) and Stephen Gilmore (Future Fund) and advised that Simon Warner (AMP) had also joined the Committee but had been unable to attend this meeting.

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

The Chair advised the Committee that an information paper on retail FX had been sent to the Council of Financial Regulators for consideration at their next meeting.

The Secretary reported that progress was being made on the development of a 'high level principles' statement on ethical behaviour and standards of conduct that could be published jointly by the various global FX committees. A draft document should be available for review at the December AFXC meeting.

The Committee were informed that the ['new'](#) AFXC website was now live.

The ACI reported that work on a 'new' Model Code was near completion and that current planning was for it to be released before the end of 2014.

### **4. FX Benchmarks**

The Chair advised that responses to the FSB's draft report on FX benchmarks had been considered and incorporated into a revised version of the report which would be presented at the FSB plenary meeting in Cairns.

### **5. Thomson Reuters Benchmark event**

Thomson Reuters informed the Committee that they were hosting an event on FX benchmarks for market participants on 16 October and that details would be distributed within the next week or so.

### **6. Semi-annual FX turnover report**

The Committee was briefed on the latest semi-annual FX turnover report (covering April 2014). Relative to the previous (October 2013) report, turnover in the UK, US, Singapore, Japan, Australia and Canada increased by 5 per cent to US\$4.2 trillion, though fell by 8 per cent over the year. The growth over the six months was concentrated in the UK, Singapore and Canada where turnover increased by 7-9 per cent, while it was little changed in Australia and declined slightly in the US and Japan.

The decline in year-ended terms in part reflected unusually high turnover in April 2013; abstracting from this observation, turnover has followed a broad upward trend since its recent trough in April 2009. As a result, average daily turnover is now around 15 per cent higher than its average over the past five years. However, the growth since 2009 has been most notable in the UK, whereas growth in Australia and Canada has lagged somewhat.

Globally, the other notable developments in FX turnover over the 6 months to April 2014 were: a pick-up in the share of turnover attributable to 'other' currency pairs and a modest decline in the share of turnover in 'major' currency pairs including EUR/USD, USD/JPY, GBP/USD and AUD/USD; and a continued increase in the share of turnover between reporting dealers and their customers, as growth in this segment has been more than double the growth in turnover in the interbank market since April 2009.

## **7. Historical Rate Rollovers**

It was noted that the last time the Committee discussed historical rate rollovers (HRR) was in July 2006. At that time all members felt that each of their institutions had internal guidelines regarding the use of HRR and that adequate internal controls were in place. The current Committee agreed that their institutions had suitable controls in place consistent with, and/or in addition to, those issued by APRA in its prudential standard for credit risk (APS 112).

The Committee's current stance on HRR is unchanged to that of July 2006 with the use of 'non-current exchange rates' for transactional purposes strongly discouraged. The Committee recognises that there may be certain instances where the use of 'non-current exchange rates' may be required (e.g.: for corporate clients to align payments with actual product delivery). In such circumstances, the appropriate practice is for the senior management of both organisations to endorse the transaction prior to execution.

## **8. Next Meeting**

Next scheduled meeting:                      Thursday 11 December 2014 at **4.30pm**