



# AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

## MINUTES OF FEBRUARY 2015 MEETING

Thursday 5 February 2015  
Reserve Bank of Australia  
65 Martin Place

### **Attendees**

Guy Debelle, RBA (Chair)  
Matt Boge, RBA (Secretary)  
Chris Howlett, ACI Australia  
Jack Richards, ACI Australia  
Murray Regan, AFMA  
Simon Warner, AMP Capital (via conference call)  
Luke Marriott, ANZ  
James Connell, CBA  
Itay Tuchman, Citigroup  
Lee Merchant, Deutsche Bank  
Chris Soriano, EBS  
Stephen Gilmore, Future Fund  
David Nolan, Goldman Sachs  
David Kendrick, HSBC  
Andrew Mourd, JP Morgan  
Will Richardson, Macquarie Bank  
Gary Latner, Thomson Reuters  
Hugh Killen, Westpac

### **Apologies**

Stewart Cox, BHP Billiton  
Mark Lawler, National Australia Bank  
Rachael Hoey, CLS

### **Guest**

Mark Wyrzykowski, RBA

### **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**

None.

**3. Codes of Best Market Practices and Shared Global Principles**

A near-final draft of a statement jointly prepared by the eight global FX committees (“Codes of Best Market Practices and Shared Global Principles”) was discussed. This draft incorporated comments received in December from the members of each committee. AFXC members were invited to submit any final substantive comments to the Chair by 11 February. The final statement was published on the AFXC website on 30 March 2015.

**4. Market reaction to the SNB on 15 January**

The behaviour of FX markets following the Swiss National Bank’s (SNB’s) policy announcement on 15 January was discussed, with members noting the large price movements and the apparent lack of liquidity. The role played by electronic trading and the reduced capacity of banks to absorb risk were discussed. The role of retail market participants was also noted.

**5. FX retail trading**

The sharp movements in exchange rates following the SNB announcement had seen a number of institutions offering retail FX margin trading sustain large losses; in certain overseas markets, several such institutions had been forced into insolvency. There was a discussion of the advisability of mandating leverage limits for retail FX trading in the local market, with several members noting the beneficial impact that the introduction of such limits had had in some other jurisdictions. The Chair undertook to raise the issue with the Council of Financial Regulators.

**6. Impact from new methodology for benchmark fixings**

Members discussed the changes to WM/Reuters’ exchange rate fixings and the extent to which alternate fixes are used by market participants. Progress in implementing other recommendations contained in the FSB’s report on foreign exchange benchmarks was reviewed.

**7. General business**

The Committee was briefed on the latest semi-annual FX turnover report that had been published in late January (covering activity in the UK, the US, Singaporean, Japanese, Australian and Canadian markets in October 2014). The data showed that daily average turnover increased by 16 per cent over the previous survey to reach a record high of US\$4.8 trillion. The UK and the US – which are the two largest markets - accounted for more

than 80 per cent of the increase in turnover. Turnover was only modestly higher in Japan while, in contrast, turnover declined by 14 per cent in Australia over the six-month period.

The other notable developments in global FX turnover were: a sizeable increase in spot activity while turnover in FX swaps declined by 13 per cent; a more than 20 per cent increase in turnover in EUR/USD and USD/JPY – the two most traded currency pairs - while turnover in the AUD/USD currency pair increased by 18 per cent; and a continued increase in the share of turnover comprised of activity between reporting dealers and their (financial and non-financial) customers, with growth in this segment equal to 25 per cent over the six-month period.

The committee also discussed movements in the Australian dollar immediately prior to the release of the RBA's policy announcement on 3 February. The Chair advised that he had already brought the matter to ASIC's attention.

ACI Australia indicated that they may offer an additional dealing simulation training course this year if there was sufficient interest.

The agenda for the meeting of global FX committees in Tokyo on 23 March was discussed.

#### **8. Next meeting**

Next scheduled meeting:                      Thursday 23 April 2015

**Australian Foreign Exchange Committee  
February 2015**