



# AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

## MINUTES OF SEPTEMBER 2018 MEETING

Thursday 20 September 2018

Reserve Bank of Australia

65 Martin Place

### **Attendees**

Christopher Kent, RBA (Chair)

Keith Sedergreen, ACI Australia

Mark McCarthy, AFMA

Jim Vouziotis, ANZ

Mark Ferguson, Australian Super (via conference call)

Winnie Tan, Bank of China

Stewart Cox, BHP Billiton (via conference call)

John Nihill, Citigroup

Lee Merchant, Deutsche Bank

David Kendrick, HSBC

Simon Watkin, NEX

Andrew Mourd, JP Morgan

Will Richardson, Macquarie Bank

Mark Lawler, National Australia Bank

Stuart Simmons, QIC

Simon Sukhaseume, SSGA

Gary Latner, Thomson Reuters

Graeme Edie, Westpac

Chris Knight, XTX Markets

### **Apologies**

David Hatzidis, CBA

Simon Warner, AMP Capital

### **Guests**

Greg Yanco, ASIC

Grantly Brown, ASIC

Luke Besselaar, ASIC

Jarkko Jääskelä, RBA

### **Secretariat**

Matthew Boge, RBA (Secretary)

Jason Griffin, RBA

## **1. Competition Guidelines**

The Secretary briefed members on the RBA's [Competition Law Guidance](#) which had been recently introduced to ensure meetings convened by the RBA with private sector participants (including AFXC meetings) are conducted in compliance with applicable competition laws. The Guidance had been distributed to members ahead of the meeting.

## **2. ASIC's Strategic Priorities**

Representatives from ASIC provided the Committee with an outline of ASIC's Market Integrity Group's [strategic priorities](#) for the next year in regards to FX. This follows on from their earlier investigations of the FX market that were summarised in ASIC's Report 525 (['Promoting better behaviour: Spot FX'](#)) of May 2017 and resulted in ASIC accepting enforceable undertakings from several market participants.

ASIC noted that their surveillance in this area will involve a greater on-site presence, including 'walk-throughs' of banks' systems and procedures which control risks. ASIC will progressively review a number of banks over the coming year and hope to use their findings to benchmark the industry's activities.

## **3. Minutes of previous meeting**

The minutes of the previous meeting were accepted without modification.

The Chair noted Rachael Hoey's (CLS) resignation from the AFXC and acknowledged her contribution to the Committee's work over recent years.

## **4. Update on FX market turnover statistics**

Members were briefed on the semi-annual FX turnover data for April 2018 which showed a 14 per cent increase in global turnover over the preceding period. Even after removing Hong Kong (which was only introduced to the survey recently), turnover in the six months to April was well above the average level observed over the past five years. The increase in turnover was broadly based across currencies and was particularly notable for FX swaps (which rose by around 17 per cent).

It was also noted that there had been some changes to the reporting templates to be used for the upcoming semi-annual survey to bring it in line with the BIS Triennial survey.

## **5. Recent trading conditions in AUD swaps/forwards**

Members discussed recent trading conditions in the Australian dollar forwards market, with widespread acknowledgment that conditions had changed materially since the start of the year. Some suggested that liquidity had decreased in recent months, with smaller parcel sizes associated with wider bid-offer spreads. Members noted the increase in implied AUD interest rates on forward FX, along with a widening of other AUD money market spreads. A range of

possible contributing factors were discussed, although there was no clear consensus regarding the dominant drivers.

## **6. GFXC Work Agenda**

### **a. Recap of the June GFXC meeting**

The Chair provided a summary of the [June GFXC meeting](#), noting that the GFXC decided to add one of the pre-hedging examples (discussed at the previous AFXC meeting) to the [FX Global Code](#). Going forward, a focus of the GFXC will be on expanding adoption of the Code amongst buy-side market participants.

### **b. Other GFXC Working Groups**

The Secretary provided an update on the GFXC Working Groups. The 'Cover and Deal' group would focus on how the Code's principles on disclosures should be applied to these trading models. This work would tie in with the other group that was analysing broader disclosure issues in the FX market. Additionally, it was noted that the GFXC's annual survey of the industry on their awareness of the Code would be launched later in the month by the Bank of England.

### **c. Buy-side Liaison**

The member from QIC provided an update on the activities of the GFXC's buy-side liaison group (of which he is a member). The group had three streams of work: case studies of organisations that had chosen not to sign a Statement of Commitment to the Code; a questionnaire to be sent to people who had signed Statements; and clarifying the role that 'proportionality' can play in adherence.

## **7. Next meeting**

The next meeting is scheduled for Tuesday 20 November. This would allow for discussion of the papers prepared for the 29 November GFXC meeting.

It was also noted that a representative from the Global Financial Markets Association's (GFMA) Global FX Division would attend the next meeting to discuss the GFMA's recent work on opening hours for the FX market.