



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF MAY 2019 MEETING

Thursday 16 May 2019
Reserve Bank of Australia
65 Martin Place

Attendees

Christopher Kent, RBA (Chair)
Keith Sedergreen, ACI Australia
Mark McCarthy, AFMA
Joe Kassel, AMP
Luke Marriott, ANZ
Winnie Tan, Bank of China
Deirdre Williams, BHP Billiton (via conference call)
David Hatzidis, CBA
John Nihill, Citigroup
Lee Merchant, Deutsche Bank
Andy Lucas, HSBC (via conference call)
Andrew Mourd, JP Morgan
Will Richardson, Macquarie Bank
Mark Lawler, National Australia Bank
Simon Watkin, NEX
Stuart Simmons, QIC
Simon Sukhaseume, SSGA
Graeme Edie, Westpac
Chris Knight, XTX Markets

Apologies

Mark Ferguson, Australian Super
Gary Latner, Refinitiv

Guests

Calissa Aldridge, ASIC
Benjamin Cohn-Urback, ASIC

Secretariat

Matthew Boge, RBA (Secretary)
Jason Griffin, RBA

1. Competition Guidelines

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

2. ASIC's Update on Retail Margin FX

Guests from ASIC discussed the issue of Australian Financial Service (AFS) licensees offering OTC derivatives to retail investors located in overseas jurisdictions. As regulators in many of these jurisdictions have restricted or prohibited certain products to retail investors, ASIC recently advised licensees to review the legality of their activities.¹ Members also heard of ASIC's intention to review the product offerings of AFS licensees following the recent legislative changes that gave Product Intervention Powers to ASIC in the domestic market. Several members raised concerns with the high levels of leverage in retail margin FX trading and with the usage of binary options.

3. Agenda for Global Foreign Exchange Committee (GFXC) Meeting, Tokyo (22-23 May)

At the GFXC meeting in Tokyo, the AFXC will be represented by its Chair, Secretary and the member from QIC. The Chair noted that Guy Debelle (Deputy Governor, RBA) will be nominated as the new GFXC Chair at the Tokyo meeting.

a. GFXC working groups on 'Disclosures' and 'Cover and Deal'

The Secretary sought members' feedback on papers from the GFXC's working groups which were due to be discussed at the upcoming GFXC meeting. In particular, members discussed a set of draft examples highlighting cover-and-deal trading models, which the GFXC will consider adding to the Annex of the FX Global Code. The discussion noted the challenges associated with making adequate disclosures when trading on anonymous venues, an issue which is also a focus of the 'Disclosures' working group. There was some support for a suggestion that the 'Disclosures' working group expand its earlier work on the desired characteristics of disclosures.

b. 3-year review of the FX Global Code

The GFXC had previously announced that it would undertake a comprehensive review of the Code every three years. The Chair outlined the high-level plan for the review.

c. Buy-side outreach

The member from QIC provided an update on the activities of the GFXC's 'Buy-side Outreach' working group. To increase engagement with buy-side market participants the working group had focussed on raising awareness of the Code and the various motivations for the buy-side to commit to adhering to the Code. The member noted the working group would be seeking approval from the GFXC to push forward with developing a range of tools to assist and provide guidance to firms adopting the Code.

1 <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2019-releases/19-088mr-some-afs-licensees-may-be-breaking-overseas-laws/>

As part of the AFXC's outreach, the Chair noted he had recently written to the boards of a range of corporations and other buy-side institutions within Australia, encouraging them to review the Code and consider its application to their business.

d. January 2019 flash event in currency markets

The committee revisited its earlier discussion of the flash event's causes and potential ways to make the market more resilient. In the discussion it was noted that recent Japanese 'Golden Week' holidays had passed smoothly, despite news events which may have otherwise exacerbated volatility.

4. Structure of AFXC and Rotation of Members

The Chair discussed plans to review the AFXC membership in coming months. Changes would be designed to broaden and balance the range of market participants on the committee. Members were reminded that were they to be rotated off the committee for a period of time, their input on the AFXC's work (especially regarding the 3-year review of the Code) would always be welcome and avenues to receive that input would be available.

5. General Business

The Chair thanked Stewart Cox (BHP Billiton) for his service to the committee, and welcomed his replacement Deirdre Williams (BHP Billiton).

6. Next AFXC meeting

TBA

**Australian Foreign Exchange Committee
May 2019**