



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF June 2020 MEETING

Thursday 4 June 2020
Conducted via teleconference

Attendees

Christopher Kent, RBA (Chair)
Guy Debelle, RBA (GFXC Chair)
Chris Howlett, ACI Australia
Mark McCarthy, AFMA
Ilan Dekell, AMP
Luke Marriott, ANZ
Winnie Tan, Bank of China
Philip Valvona, BHP Billiton
David Hatzidis, CBA
Andrew Walsh, Citigroup
Lee Merchant, Deutsche Bank
Andrew Mourd, JP Morgan
Will Richardson, Macquarie Bank
Mark Lawler, National Australia Bank
Simon Watkin, NEX
Stuart Simmons, QIC
Gary Latner, Refinitiv
Simon Sukhaseume, SSGA
Graeme Edie, Westpac
Chris Knight, XTX Markets

Apologies

David Kendrick, HSBC

Secretariat

Matthew Boge, RBA (Secretary)
Jason Griffin, RBA

1. Competition Guidelines

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

2. GFXC: June Conference Call

The GFXC Chair outlined the topics to be discussed on the upcoming GFXC call (22 June): market conditions; operational resilience during COVID-19; and FX settlement risk. Each member FXC will provide a summary of their recent market conditions in advance, while representatives from the Bank for International Settlements and CLS will join the call to discuss FX settlement risk.

It was also noted that the working groups for the 3-year review of the FX Global Code will look to recommence in the coming months (having paused their work earlier in the year). The aim is now to complete the review of the Code by mid-2021 (previously end-2020).

Stuart Simmons and representatives from the RBA will participate in the GFXC call.

3. Discussion of trading conditions in foreign exchange markets

Members reflected on spot market trading during March, noting that it had been a period of high volume but also a time of significantly reduced liquidity. Liquidity conditions in G3 currency pairs had been more resilient than 'commodity' currencies, with emerging market currency liquidity also deteriorating. Aside from episodes of heightened volatility around mid-March, members felt liquidity was adequate for core trading activities, although it was also noted that some clients refrained from discretionary activity. The member from XTX presented a range of measures of market liquidity for the Australian dollar which suggested that liquidity in March fell to less than 50 per cent of normal levels, but in recent weeks had recovered to be around 80 per cent of normal. Furthermore it was noted that liquidity over the Asian session had recovered back to usual levels but the London session (including around the time of the 4pm fix) had not yet fully normalised. Other members generally agreed with this characterisation.

The member from SSGA highlighted a significant widening in bid-offer spreads for forward FX during March, notably in AUD-crosses (such as AUD/EUR and AUD/GBP). By the end of May, spreads had returned to normal levels and in some cases were narrower than the average levels seen over recent years. However, for tenors beyond six-months, forward spreads had shown significant variation from counterparty to counterparty; it was thought that this may have reflected greater variations in credit charges being applied than previously occurred.

The member from NAB discussed WM/Reuters 4pm (London) rates for the New Zealand dollar during March. In particular, the bid-offer spread for the 10 March fix was significantly wider than usual (10 pips versus 4-5 normally). Members discussed the methodology used to derive these benchmark rates and the role played by the WM/Reuters Users Group. Some questioned the visibility of the group.

4. Operational resiliency over the period affected by COVID-19

There was some discussion as to whether the segregation of traders working across primary and back-up sites (along with those working-from-home) may have effected institutions' ability to provide liquidity. Most members disagreed with this suggestion. They noted that trading systems were well-tested and were resilient during the recent period and that critical trading staff were able to continue working while adhering to social distancing measures.

The members from JP Morgan and Refinitiv provided insight into how their business continuity plans had been implemented. Refinitiv noted that their systems coped well with the significant increase in FX trading volumes of March. A system change freeze had been implemented to minimise any chance of disruption.

5. FX trading conventions

The member from ACI suggested publishing certain FX conventions on the AFXC website. The Chair tasked the member to work with the Secretariat to determine what topics might be useful for inclusion, and to consider how such trading conventions are documented in other jurisdictions. Findings would be discussed at the next meeting.

6. Next meeting

The next meeting would be conducted via a video portal, with the date to be confirmed later.

**Australian Foreign Exchange Committee
June 2020**