



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

MINUTES OF June 2021 MEETING

Tuesday 22 June 2021

Conducted via videoconference

Attendees

Christopher Kent, RBA (Chair)
Guy Debelle, RBA (GFXC Chair)
Chris Howlett, ACI Australia
Mark McCarthy, AFMA
Luke Marriott, ANZ
Winnie Tan, Bank of China
Deirdre Williams, BHP Billiton
Aaron Ng, Citigroup
Lee Merchant, Deutsche Bank
Catherine Rich, Goldman Sachs
Andy Lukas, HSBC
Will Richardson, Macquarie Bank
David Roughley, National Australia Bank
Simon Watkin, NEX
Stuart Simmons, QIC
Gary Latner, Refinitiv
Jeremy Carr, Suncorp
Vanessa Bailey, Westpac
Chris Knight, XTX Markets

Apologies

Andrew Scott, AMP
David Hatzidis, CBA

Guest

Rory O'Connor, QSuper

Secretariat

Matthew Boge, RBA (Secretary)
Jason Griffin, RBA

1. Welcome and Competition Guidelines

The Chair reminded attendees that the meeting would be conducted in line with the RBA's [Competition Law Guidance](#). The Chair also welcomed Rory O'Connor (QSuper) who attended as a guest.

2. Global Foreign Exchange Committee (GFXC) Work Agenda

The AFXC Secretary briefed members on the status of GFXC's 3-year review of the FX Global Code. Following its public Request for Feedback, the GFXC's working groups had made modest adjustments to their proposals for changes to the Code and the publication of Disclosure Cover Sheets and template for algorithmic execution and transaction cost analysis. The latest iteration of these proposals had been distributed to AFXC members for any 'fatal flaw' comments. As no fatal flaws had been identified by members, the Chair would give the AFXC's endorsement for the material at the 28 June GFXC meeting.

Once the changes to the Code are published, Market Participants should consider refreshing their Statement of Commitment, having regard to the nature of the changes. The expectation was that for those affected by the changes, a timeframe of no more than 12 months was a reasonable period for this process.

The Secretary also provided an update on the guidance papers that GFXC working groups were drafting on Pre-hedging and Last Look. The Pre-hedging paper was seen to be complete – and was scheduled to be published alongside the updated Code in July – while the paper on Last Look would be distributed to the AFXC (and other member FXCs) for a further round of feedback.

3. Discussion of trading conditions in foreign exchange markets

Members assessed that liquidity conditions and market functioning in foreign exchange markets – including that for the Australian dollar – had remained orderly since the start of 2021. Measures of market liquidity for the Australian dollar had been consistent, although one member stated top-of-book spreads had tightened more recently on their metrics. Having risen in March, trading volumes for the AUD had declined in the second quarter of the year. Members opined that this was likely to have been due to the Australian dollar being fairly range-bound during this time. With asset markets also orderly, there was little catalyst for Australian asset managers to adjust hedges during this period.

Conditions in the AUD forwards market had also been orderly in the calendar year to date. It was noted that bid-offer spreads in forwards were very narrow, reflecting that traders were comfortable to warehouse risk given abundant central bank liquidity from both the RBA and Federal Reserve.

4. Initial margin requirements for non-centrally cleared derivatives

Members discussed the commencement of Stage 5 of [CPS226](#) for initial margining, which begins in September 2021. This prudential standard requires covered entities to post initial margin when transacting with other covered entities in non-centrally cleared derivatives (including non-

deliverable forwards). In assessing compliance with these requirements, members discussed the various options and associated costs. It was noted there may be some additional costs in setting up bilateral margining arrangements where institutions did not utilise clearing.

5. Next meeting

The next AFXC meeting is expected to be held in September 2021.