



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

Minutes of November 2022 Meeting

Thursday 17 November 2022

Attendees

Christopher Kent, RBA (Chair)
Chris Howlett, ACI Australia
Murray Regan, AFMA
Luke Marriott, ANZ
Winnie Tan, Bank of China
David Hatzidis, CBA
Aaron Ng, Citigroup
Scott Sloman, Goldman Sachs
Heath Moody, National Australia Bank
Simon Watkin, CME Group
Stuart Simmons, QIC
Jeremy Carr, Suncorp
Gareth Taylor, Westpac
Chris Knight, XTX Markets

Apologies

Mark McCarthy, AFMA

Secretariat

Matthew Boge, RBA (Secretary)
Jason Griffin, RBA

Guests

Jack Beardsley, RBA
Tim Atkin, RBA

1. Competition Guidelines

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

2. Discussion on trading conditions in foreign exchange markets

Members judged that liquidity conditions in spot foreign exchange markets – including that for the Australian dollar – had deteriorated in recent months, relative to conditions observed earlier in 2022. There was some focus on particular events affecting USD/YEN and GBP/USD in September and October, with members noting that top-of-book bid-offer spreads for major currencies had widened by approximately 25 per cent at the time. A couple of members also reported that broader liquidity measures such as depth-of-book had also deteriorated and suggested that liquidity was only around 60 per cent of that seen earlier in the year. One member opined that the ongoing focus on the evolution of global inflation and the growth outlook is likely to see heightened volatility persist in the near term.

Market functioning in the FX swaps market was described as orderly and allowed for the facilitation of customer trades, albeit at wider spreads than seen earlier in the year. Wider spreads reflected heightened interest rate volatility, with even the most liquid interest rate markets seeing reduced liquidity in recent months. Members also discussed the premium for US dollars around the turn of the year, with the basis emerging earlier this year than in recent years.

3. Triennial FX Turnover Survey

Members were briefed on the 2022 BIS Triennial Survey of FX [turnover](#), which showed that the Australian dollar was the sixth most traded currency globally, down from fifth in the previous survey. Overall FX turnover in Australia had increased by 26 per cent since the previous survey, with the increase largely driven by FX swaps with tenors of seven days or less. Related party turnover had also increased significantly from the previous survey, and members discussed the factors that might be driving that change.

4. FX Trading Conventions

At previous meetings, members had discussed whether there was a need for Australian FX trading conventions to complement the principles-based guidance in the FX Global Code. Members had reviewed the recently published ACI FMA Handbook to see whether it contained sufficient guidance on market conventions. It was agreed that a subgroup of committee members would liaise with other members about their appetite for – and the possible content – of any conventions to be considered in the future.

5. AFXC Buy-side Outreach

Two sell-side members outlined their recent experiences in talking with a range of both real money and corporate clients regarding their engagement with the FX Global Code. The members noted that there was a reasonable – but far from universal – awareness of the Code amongst these clients but also that many said they were not in a position to sign a Statement of Commitment to the Code at this time. The members discussed the factors cited as constraining buy-side clients from signing up, which ranged from changing organisational structures (with some clients only recently in-housing their FX trading activities), through to the prioritisation of regulatory responsibilities. The Chair noted the committee would continue with this type of buy-side outreach going forward.

6. GFXC Update

Ahead of the GFXC meeting in early December, the members from QIC and ACI provided updates on the respective working groups in which they are involved. It was noted that a survey of buy-side market participants had been conducted on ‘Motivations to Sign up to the Code’ and that a tool had been developed to help buy-side institutions focus on the principles of the Code that are likely to be of most relevance to them.

7. Other Business

The member from ACI provided an overview of opening hours for the Australian foreign exchange market for the upcoming holiday season. As it is a holiday in Australia on Monday 26 December, the first trading market to open will be Japan at 8.00 am (Tokyo). Similarly, on Tuesday 27 December, the Australian market is closed and the first trading market to open is at 8.00 am (Tokyo).

On Monday 2 January 2023, all the major financial centres are closed. On Tuesday 3 January, the opening time will be 5.00 am (Sydney).

**Australian Foreign Exchange Committee
November 2022**