



AUSTRALIAN FOREIGN EXCHANGE COMMITTEE

November 2024 Meeting

Wednesday 27 November 2024

Attendees

Christopher Kent, RBA (Chair)
Chris Howlett, ACI Australia
Damian Jeffree, AFMA
Luke Marriott, ANZ
Andrew Fielding, Australian Super
Winnie Tan, Bank of China
Anthony Kritikides, CBA
Aaron Ng, Citigroup
Simon Watkin, CME Group
Darren Boulos, Deutsche
Scott Sloman, Goldman Sachs
Will Richardson, Macquarie Bank
Stuart Simmons, QIC
Daniel Guille, Refinitiv/LSEG
Daniel Polidano, Suncorp
Gareth Taylor, Westpac

Apologies

Heath Moody, National Australia Bank

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](#).

2. Recent Trading Conditions in Foreign Exchange markets

Members discussed conditions in foreign exchange markets over recent months. Liquidity and market functioning more broadly have remained orderly during Australian trading hours despite a period of brief financial market volatility in early August. Following the unwinding of carry trades on 5 August, it was generally noted how quickly market conditions had normalised. One member opined that this appeared to be a recent characteristic of market conditions: long periods of highly-liquid conditions punctuated by brief episodes of rapid price adjustments before quickly stabilising.

In this context, it was noted that the increasing use of execution algorithms had not created any obvious adverse effects on market functioning, despite earlier concerns. Some members suggested that controls on most electronic trading tools had become increasingly sophisticated in recent years.

Similar to spot markets, market functioning in the AUD forwards market has continued to be orderly. Modest tightness in AUD forwards over July, following the maturity of the RBA's Term Funding Facility, had been reversed with the market subsequently adjusting to the lower level of settlement balances at the central bank.

3. GFXC Review of FX Global Code

The GFXC meets from 5 to 6 December, with representatives from the RBA and Luke Marriott (ANZ) attending. Stuart Simmons (QIC) will also attend as GFXC co-Vice Chair. Central to the meeting will be the review of the FX Global Code, where working groups had focused on FX Data and Settlement Risk.

Stuart Simmons (QIC), who co-led the FX Data working group, provided an update of their work and outlined the group's proposals which had been broken into two workstreams. The first workstream proposed enhancing transparency around certain types of delegated execution activity (such as those relating to custodian and hedging service providers). This would occur through amendments to Principle 10 of the Code, along with some examples added to the Annex. The second workstream encouraged better disclosures from e-platforms around the use of FX data derived from client activity. To address this, it was proposed that there would be some adjustments to Principle 9 of the Code, along with modest changes to the GFXC's template Disclosure Cover Sheets.

The FX Settlement Risk working group proposals looked to promote use of stronger settlement methods, with relevant staff at each FX market participant encouraged to have a thorough understanding of the settlement process. Guidance in the Code around the use of Standard Settlement Instructions was also to be enhanced.

Noting that there had been no strong objections to these proposals, the AFXC Chair confirmed that he would be endorsing the proposed changes to the Code at the GFXC meeting on behalf of the AFXC.

4. Renewing Statements of Commitment to the FX Global Code

Ahead of the GFXC meeting, it was noted the GFXC Chair would likely issue guidance that market participants should renew their Statements of Commitment within 12 months, where updates to the Code are directly relevant to a market participant's activities. For other market participants, members discussed what would likely to be appropriate in the case of Statements of Commitment which had not been renewed for 5 years or more. It was thought that there would be some benefit to the GFXC providing guidance on this issue.

5. Other Business

Members discussed the AFXC's buy-side outreach, with some members noting that Code awareness was still not broad enough within that sector. Different strategies were discussed for improving buy-side engagement with the Code, given the competing priorities many of these firms would have.

**Australian Foreign Exchange Committee
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