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SOUTH AFRICAN RESERVE BANK

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Record of proceedings of the South African Foreign Exchange Committee virtual meeting held on Tuesday, 16 March 2021, from 11:00 to 12:30

Record of proceedings no. 01/2021

Members in attendance	Apologies
Zafar Parker (Chairperson), SARB Richard de Roos (Deputy Chairperson), Standard Bank Lucy Mabuza (Secretariat of the SAFXC), SARB Mpumi Ngwenya (Secretariat of the SAFXC), SARB Andries Tshishonga, SARB Mark Schwartz, ACTSA Gill Raine, ASISA Chris Paizis (authorised dealer), Absa Bank Gary Haylett, BASA Kumeran Govender (authorised dealer), Bidvest Bank Ian Balfour (authorised dealer), JP Morgan Paul Wilson (interdealer broker), ICAP Carlos Martins, SAATA	Aurelia Makgato, SARB Michael Galatis, ACI South Africa Udesh Moodley (Exchange), JSE Limited Marius de Jongh (observer), FSCA
<i>By invitation:</i> Samantha Springfield, SARB Elaine Mabiletsa (Exchange), JSE Limited	

1. Overview

The South African Foreign Exchange Committee (SAFXC) discussed:

1.1 the SAFXC work plan for 2021/22; and

1.2 feedback from SAFXC members.

2. Summary of discussions

2.1 The SAFXC work plan for 2021/22

2.1.1 SAFXC would invite market experts to make presentations on market developments.

2.1.2 SAFXC outreach programme

- i. The South African Reserve Bank (SARB) would continue to lead the outreach programme to central banks in the Southern African Development Community (SADC) region in promoting the adoption of the FX Global Code (Code).
- ii. ACI Africa would lead the outreach programme to the regional countries, focusing on countries with liquid foreign exchange (FX) markets.
- iii. The SAFXC had progressed markedly relative to other countries in terms of including other FX market participants.
- iv. ACTSA, ASISA, BASA and SAATA would drive the outreach programmes within their respective constituencies, in consultation with the Chairperson and Deputy Chairperson of the SAFXC. There was a notion that knowledge of the Code had tended to reside within the sell-side sector, possibly reflecting the banking sector's technical skill and expertise in FX execution. Meanwhile, the rapid changes in the FX market had widened the knowledge gap between the sell- and buy-side market participants, largely driven by changing technology in trading platforms. This included execution algorithms, transaction cost analysis tools, and the principles-based execution of transactions. Only a small percentage of buy-side participants fully understood the impact of these changes, causing inefficiencies in terms of the consistent application of the

Code across various market participants.

- v. Another concern was that not all FX sales teams within the banking sector were fully equipped in applying the principles of the Code as far as it related to trade execution. This had also been identified as a gap in the FX market globally. As a mitigating measure, the SAFXC would present on the importance and benefits of the Code to the FX sales teams in the liquidity-provider sector. Such measures were necessary to ensure that the principles of the Code were embedded at all levels within institutions conducting FX transactions.
- vi. The SAFXC, among other things, would address market conduct issues relating to non-compliance with the Code through education and a market awareness outreach programme, rather than through imposing regulatory measures. The SAFXC was neither an arbitrator nor a regulator. Its mandate was to promote the Code and encourage market participants to embrace the principles of the Code.

2.1.3 SAFXC members would present on how their sectors or institutions were aligning their FX business activities with the principles of the Code. It was reiterated that the endorsement of the Code, by signing the Statement of Commitment (SoC), was aimed towards embedding the principles of the Code in FX business operations.

2.1.4 Inputs into the Global Foreign Exchange Committee (GFXC) working papers would remain standard items on the SAFXC agenda.

The SAFXC would prioritise its work program with a focus on developments in the South African FX market. The focus would be on the disclosure and pre-hedging papers, which have an immediate impact on the domestic FX market.

2.2 Feedback from SAFXC members

2.2.1 SAATA was welcomed as a full member of the SAFXC as from January 2021.

2.2.2 Feedback was provided on the GFXC's material relating to the three-year review of the Code.

2.2.3 The SARB's Financial Surveillance Department would provide an update on the capital flow management framework in the next SAFXC meeting, to be held on Wednesday, 23 June 2021.

2.2.4 It was decided to develop a plan of action to promote the adoption of the Code to the buy-side sector, targeted mainly at portfolio managers responsible for managing FX exposures. There was a concerted global effort in various jurisdictions to target the buy-side sector and the associations that represent corporate treasuries to promote market awareness of the Code. This would include concise articulation to a broader set of FX market participants on the benefits of adopting the Code.

3. Date of the next meeting

The next SAFXC meeting was scheduled for Wednesday, 23 June 2021.