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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 Thursday, 13 January 2022, from 11:00 to 12:30

Record of proceedings no. 01/2022

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 Chris Tsotsa (Secretariat of the SAFXC), SARB Andries Tshishonga, SARB Lesego Malehopo, SARB Chris Paizis, ABSA Bank Gary Haylett, BASA Steven Panos, Capitec Bank Marius de Jongh, FSCA Brice Parise, JP Morgan Paul Wilson, ICAP Udesh Moodley, JSE Limited Carlos Martins, SAATA	Gill Raine, ASISA Samantha Springfield, SARB Mark Schwartz, ACTSA Michael Galatis, ACI South Africa

1. Overview

The South African Foreign Exchange Committee (SAFXC) discussed the following:

- 1.1 the SAFXC's outreach programme on the promotion of the Foreign Exchange (FX) Global Code (Code) in the buy-side sector and the Southern African region; and
- 1.2 feedback from SAFXC members.

2. Summary of discussions

2.1 The SAFXC's outreach programme on the promotion of the FX Global Code

2.1.1 There was a lack of interest by the buy-side sector to adopt the Code, both locally and globally, despite various outreach initiatives. The SAFXC was targeting individual buy-side firms, including their executives and heads of FX trading desks. The SAFXC had thus started bilateral meetings with the largest asset managers in the country, targeting at least five of them over a year.

2.1.2 The adoption of the Code by asset managers remained slow and tepid for various reasons, which included, but were not limited to, the following:

- i. The buy-side sector had to comply with multiple codes within their jurisdictions already.
- ii. Some principles of the Code were already in place at an asset class level.
- iii. The Code was perceived as demanding for small and medium companies in terms of its principles.

2.1.3 ACI South Africa and ACI Africa were tasked to lead the outreach on the promotion of the Code across the Southern African countries and the rest of the African continent. The objective was to ensure that many countries observed and experienced the benefits of aligning and strengthening their FX business operations with the principles of the Code in the broader financial systems.

2.2 Feedback from SAFXC members

2.2.1 The SAFXC and the Financial Surveillance Department (FinSurv) of the South African Reserve Bank (SARB) had discussed concerns about the regulatory gaps within the current legislative framework. This included the exclusion of spot FX transactions from both the Financial Markets Act 19 of 2012 (FMA) and the new over-the-counter regulation.

2.2.2 The SAFXC had presented at the Committee of Central Bank Governors (CCBG) meeting held in July 2021, outlining the importance and benefits of central banks guiding the promotion and adoption of the Code in their respective countries. It had been encouraged that the jurisdictional outreach could be strengthened by also targeting the most influential bodies through ACI South Africa and ACI Africa.

2.2.3 Regarding the returning-to-the-office issue, a hybrid model had been adopted by most market participants. Seemingly, the hybrid model would remain a viable option going forward, but with flexibility of possibly increasing staff capacity in the office. The following was provided as feedback:

- i. Most market participants had adopted a hybrid model and were quick to adapt to the usage of new technology in remote settings. For banks, this included, among other things, deal execution, processing, the monitoring and compliance process as well as communicating with clients. As such, compliance and risk management measures had been tightened to reduce operational risks.
- ii. However, the communication channels and recordings required more work for compliance reasons. Banks were improving technologies within the local operating environment and aligning with international standards. Technology vendors had also responded speedily to the new environment and were providing solutions. Going forward, institutions were expected to adjust differently to the new working environment. Some would work from an office, but those with bigger teams and smaller buildings or floor space would prefer a hybrid model. Nonetheless, the main concern for organisations was around skills transfer, whether that was for new employees or in an ever evolving and ever-changing market.

- iii. In terms of client engagement, high infection rates and the unknown vaccination status of clients remained serious health and public safety issues. More transactions were being executed and processed on digital platforms.
- iv. Employees working on-site were being strongly encouraged to vaccinate.

2.2.4 Feedback was provided on the Global Foreign Exchange Committee (GFXC) meeting held in December 2021.

3. Date of the next meeting

The next SAFXC meeting was scheduled for Wednesday, 1 June 2022.