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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 Wednesday, 27 September 2023 at 14:00–15:30

Record of proceedings no. 03/2023

Members in attendance	Apologies
Zafar Parker (Chairperson), SARB Richard de Roos (Deputy Chairperson), Standard Bank Lucy Mabuza (Secretariat of the SAFXC), SARB Chris Tsotsa (Secretariat of the SAFXC), SARB Bafundi Maronoti, SARB Chris Paizis (Authorised Dealer), Absa Bank Gerald Katsenga, (ACI) South Africa Gill Raine, ASISA Gary Haylett, BASA Steven Panos (Authorised Dealer), Capitec Bank Marius de Jongh (an observer), FSCA Paul Wilson (Interdealer Broker), ICAP Brice Parise (Authorised Dealer), JP Morgan Carlos Martins, SAATA	Atli Khaas, ACTSA Elaine Mabiletsa (Exchange), JSE Limited Lesego Malehopo, SARB
Invitees: David Fowkes, SARB Jackie Brevis, SARB Richard Beddow, SAATA	

1. Overview

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

- 1.1 presentation on the Foreign and International Monetary Authorities (FIMA) facility;
- 1.2 demonstration of the FX Global Code Proportionality Self-Assessment Tool; and
- 1.3 feedback from SAFXC members.

2. Summary of discussions

- 2.1 An official of the South African Reserve Bank (SARB) presented on the FIMA facility, which was provided by the US Federal Reserve (Fed). The highlights were as follows:
 - 2.1.1 The FIMA facility allowed foreign central banks to access an overnight USD liquidity by pledging US government bonds as collateral to the Fed. The facility served as a USD backstop in the domestic market.
 - 2.1.2 The SARB had access to the Fed FIMA facility and was formalising an on-lending FIMA fund to South African banks. This would be provided at premium against pre-defined collaterals during periods of USD liquidity stress.
 - 2.1.3 Local banks were expected to sign up for the facility in advance; stipulate their USD funding requirements; and disclose information on stocks of eligible collateral to access the USD on-lending facility from the SARB.
 - 2.1.4 The tenor of the Fed's FIMA facility to central banks was overnight. However, local banks could borrow USD funds from the SARB, on a weekly basis, at FIMA rate plus 25 basis points. Loans could be rolled at maturity and the spread adjusted when required. The SARB would accept US government bonds and South African USD-denominated government bonds (SOAFs) as collateral.
 - 2.1.5 The FIMA facility would only be activated for a minimum amount of USD1.0 billion. The SARB would therefore be unable to meet demand for significantly smaller sums.
 - 2.1.6 The FIMA facility would have no impact on the country's official FX reserves and the ZAR liquidity in the domestic market. The on-lending of FIMA funds to local banks

should be viewed as provision of USD liquidity and not FX spot intervention, as the SARB had maintained a free-floating exchange rate policy.

2.2 Demonstration of the FX Global Code Proportionality Self-Assessment Tool

2.2.1 The FX Global Code Proportionality Self-Assessment Tool was developed following the first review of the FX Global Code (Code). The review had focused on the outreach and encouraging adoption of the Code by market participants.

2.2.2 The tool identified the 55 Principles of the Code in proportion to market participants' role in the FX market. This would help market participants identify principles of the Code applicable to them, given the nature and size of their activities in the FX market.

2.2.3 The objective of the tool was to facilitate adherence to the Code among the market FX participants. It was designed to lower barriers to entry for market participants (e.g., buy side sector), where FX was not a primary business.

2.2.4 The tool was dynamic in nature and would change and adjust accordingly as the Code changed. The tool was important to the SAFXC outreach to promote the awareness of the Code across all sectors and the African region.

2.2.5 Link to tool: https://www.globalfx.org/digital_proportionality_tool/index.htm?m=3135

2.3 Feedback from SAFXC members

2.3.1 Concerns were raised regarding developments in the global crypto market, which could negatively impact the FX market. Proper monitoring of the crypto market was necessary, particularly as it had not been part of the global FX markets analysis.

3. Date of the next meeting

3.1 The next SAFXC meeting was scheduled for Thursday, 2 November 2023.