



South African Reserve Bank

South African Foreign Exchange Committee

**Record of proceedings of the South African Foreign Exchange Committee  
meeting held at the South African Reserve Bank in Pretoria  
on 7 December 2018**

**Record of proceedings no. 04/2018**

<b>Members who attended</b>	<b>Apologies from members</b>
Zafar Parker (Chairperson), SARB Lucy Mabuza (Secretariat of the SAFXC), SARB Mpumi Ngwenya (Secretariat of the SAFXC), SARB Andries Tshishonga, SARB Aurelia Makgato, SARB Mark Schwartz, ACTSA Gill Raine, ASISA Roy Daniels, ACI South Africa Gary Haylett, BASA Kumeran Govendor (Authorised Dealer), Bidvest Bank Peter Taylor (Authorised Dealer), Citibank Richard de Roos (Authorised Dealer), Standard Bank Marius de Jongh (an observer), FSCA	David Gracey (Deputy Chairperson), Investec Bank Paul Wilson (Interdealer Broker), ICAP Donna Nemer (Exchange), JSE Limited

## **1. Overview**

The key discussions were based on the topics below:

- 1.1 the 2018/19 South African Foreign Exchange Committee (SAFXC) work plan; and
- 1.2 feedback from Global Foreign Exchange Committee (GFXC) meeting.

## **2. Summary of discussions**

### **2.1 Key issues regarding the 2018/19 SAFXC work plan**

- 2.1.1 Members discussed market liquidity and transactional costs in emerging markets (EMs), including a proposed paper on transaction costs analysis (TCA). It was envisaged that the TCA paper would consider; the impact of large size transaction on pricing; trade execution and market liquidity conditions; market volatility; and algorithmic pricing. The TCA draft paper would be distributed to SAFXC members for comments in the first quarter of 2019.
- 2.1.2 On the role of intermediaries in the wholesale foreign exchange (FX) market, members highlighted the possible risks stemming from a rising trend of unregulated market participants and FX-trading platforms on the local FX wholesale market. It was stressed that FX-trading platforms sometimes misrepresented the amount of liquidity in the FX market. The complexity around disclosure in broker/brokerage-related services and electronic-trading platforms was highlighted as well as the increasing rate of participation on the non-banking participants in the local FX market.
- 2.1.3 Members also discussed the ideas around the SAFXC outreach programme in the local and regional FX markets. The challenge around the promotion of the FX Global Code (Code) among buy-side participants was highlighted as a global issue. However, SAFXC members were encouraged to promote the Code among their peers in the region. It was proposed that the South African Reserve Bank (SARB) should promote the Code by highlighting the role and successes of the SAFXC in the local FX wholesale market during different SARB events.

2.1.4 In addition, challenges regarding the promotion of the Code in less developed FX markets, such as South America and other regions in Africa were highlighted. It was added that this could be reflecting, among other things, poor market liquidity conditions, less developed financial markets, as well as central banks' lack of interest in leading FX markets in those regions.

2.1.5 On the status of Authorised Dealers with Limited Authority (ADLAs), it was mentioned that the SARB was responsible for issuing licenses to the ADLAs, while the Financial Services Conduct Authority (FSCA) was responsible for the market conduct of the sector. Members suggested that the regulatory body responsible for regulating the ADLAs' market conduct could be broadened to include the market conduct on the use of FX-trading platforms on the retail side.

## 2.2 Feedback from the Global Foreign Exchange Committee meeting

The two-day GFXC meeting was held on 29 – 30 November 2018, hosted by Banque de France.

Key initiatives were discussed, including the establishment of working groups to support the implementation of the Code. Working groups on the Cover and Deal, Last Look and Disclosure provided updates and it was agreed that further work would still be needed.

2.2.1 The summary of the discussions and related documents were published in the GFXC website<sup>1</sup>.

2.2.2 The GFXC discussed findings from its survey, to measure the effects of the Code. The preliminary results from the GFXC's second survey showed that the majority of respondents were aware of the Code and that the adoption of the Code had grown since 2017, although adoption rates differed by sector.

2.2.3 A working group dedicated to the promotion and adoption of the Code in the buy-side sector was established. The working group also proposed the establishment of a global public-register for asset managers.

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<sup>1</sup> GFXC November 2018 Minutes and related publications: <https://www.globalfx.org/summaries.htm?m=63%7C376> and <https://www.globalfx.org/press/p190214.htm>

**3. Date of the next meeting**

The next SAFXC meeting was scheduled for 14 March 2019.