



South African Reserve Bank

South African Foreign Exchange Committee

**Record of proceedings
of the South African Foreign Exchange Committee (SAFXC) meeting
held at the South African Reserve Bank (SARB) in Pretoria
on 13 March 2018**

Minutes no. 01/2018

Attendees	Apologies from members
Zafar Parker (Chairperson), SARB Lucy Mabuza (Secretariat of the SAFXC), SARB Mpumi Ngwenya (Secretariat of the SAFXC), SARB Andries Tshishonga, SARB Aurelia Makgato, SARB Jacques du Preez, ACI South Africa Mark Schwartz, ACTSA Lonn Potgieter, ASISA Gary Haylett, BASA Kumeran Govendor (Authorised Dealer), Bidvest Bank Peter Taylor (Authorised Dealer), Citibank Marius de Jongh (an observer), FSCA Elaine Mabiletsa, JSE Paul Wilson (Interdealer Broker), ICAP David Gracey (Deputy Chairperson), Investec Bank Richard de Roos (Authorised Dealer), Standard Bank <u>By invitation</u> Daniel Mminele, SARB Linda Motsumi, SARB	Gill Raine, ASISA Roy Daniels, ACI Donna Nemer, JSE

1. Overview

The key discussions at the inaugural meeting of the South African Foreign Exchange Committee (SAFXC) were based on the topics listed below:

- 1.1 the formation of the SAFXC, with specific focus on the adoption and review of the Terms of Reference (ToR);
- 1.2 the election of a Deputy Chairperson;
- 1.3 agreeing on the process for market participants to endorse the Foreign Exchange Global Code (Code);
- 1.4 the 2018 work plan for the SAFXC;
- 1.5 updates from the Global Foreign Exchange Committee (GFXC); and
- 1.6 approval of the SAFXC website.

2. Summary of discussions

2.1 Reviewing and adopting the Terms of Reference

Members reviewed the ToR for ratification at the inaugural meeting of the SAFXC. The following key issues were discussed and agreed upon before the adoption of the ToR:

- The SAFXC will function under the sponsorship and leadership of the South African Reserve Bank (SARB).
- The SAFXC will represent key sectors of the wholesale foreign exchange (FX) market.
- The purpose of the SAFXC is to guide and encourage market participants to adhere to the Code, to promote a fair and more transparent FX market, and to promote adherence to international best practice.
- Members noted that while the Code did not impose any legal or regulatory obligations on market participants, market participants still had to comply with all the laws, rules and regulations applicable to them. Also, the Code imposed no regulatory obligations on market participants, but served to complement the existing regulations.

- The SAFXC has no legal powers to impose legal or regulatory obligations on market participants.
- The SAFXC is not an arbiter or a conflict resolution body.
- Members discussed initiatives to endorse and promote the Code as well as the publishing of the Statement of Commitment (SoC) by members. SAFXC members were expected to endorse the Code by publishing their respective SoCs. However, members would need to obtain an endorsement or a mandate from their representative body.
- Members and market participants were encouraged to start aligning their internal processes with the Code.
- The SARB had issued a media release indicating that, with effect from 1 September 2018, it would only conduct FX transactions with counterparty banks who had endorsed the Code and signed their SoC.
- Members proposed that the SAFXC should lobby the SARB to extend the time period for authorised dealers to sign their respective SoCs. This was because the consultation processes within the various organisations aiming at endorsing the Code might take an extended period of time.
- Members unanimously approved the ToR of the SAFXC.

2.2 Election of the Deputy Chairperson

SAFXC members elected Mr David Gracey as the Deputy Chairperson of the SAFXC for a period of one year.

2.3 The process for market participants to endorse the Foreign Exchange Global Code

Members discussed how market participants should endorse the Code. It was reiterated that the mandate of the SAFXC was to provide guidance to the FX market participants by endorsing and promoting the Code.

- Members agreed that it would be difficult to implement the Code on the buy side due to the large number of institutions represented in the South African market. However, it was highlighted that market participants should be encouraged to sign the SoC. There was an expectation that

the industry or subsector they represented would endorse the Code. Outsourcing companies were classified as corporates on the buy side, and as such they fell under the jurisdiction of the Association of Corporate Treasurers of Southern Africa (ACTSA).

- JSE Limited (JSE) would ascertain whether the stock exchange would endorse and promote the Code amongst its members. This would be followed by a consultation with its members to understand how the Code could be implemented, taking note of their stringent requirements for listing on the exchange.
- The SARB's Financial Markets Department would enquire about the status of major Authorised Dealers with Limited Authority (ADLAs) and report back at the next SAFXC meeting.
- Association for Savings and Investment South Africa (ASISA) would investigate the representation of South African hedge funds on the SAFXC and report back at the next SAFXC meeting.

2.4 2018 work plan of the South African Foreign Exchange Committee

- Members agreed to send proposals on the 2018 work plan of the SAFXC Secretariat.
- Members of the SAFXC would give feedback on the progress being made in endorsing the Code at the next meeting in July 2018.
- Mr James Cross, who was responsible for the Financial Markets Review (FMR) project, would be invited to the next SAFXC meeting to provide an update on the FMR project.
- It was suggested that the Financial Sector Conduct Authority (FSCA) should provide guidance to the SAFXC around the proposed Financial Sector Regulation Bill and how it would affect the FX market.

2.5 Updates from the Global Foreign Exchange Committee and its next meeting

The next GFXC meeting would be held in South Africa on 27 June 2018.

There were currently 16 countries that were members of the GFXC.

2.6 Approval of the South African Foreign Exchange Committee website

Members of the SAFXC agreed that the webpage of the SAFXC would be hosted on the SARB's website, in line with most other jurisdictions. The SAFXC webpage would be launched on 14 March 2018.

2.7 Date of the next meeting

The next SAFXC meeting would be held on 4 July 2018.