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SOUTH AFRICAN RESERVE BANK

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Record of proceedings of the South African Foreign Exchange Committee meeting held on Tuesday, 20 June 2023, at 10:00–12:00, at Irene Link, Centurion

Record of proceedings no. 02/2023

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 Andries Tshishonga, SARB Bafundi Maronoti, SARB Chris Paizis (Authorised Dealer), Absa Bank Gerald Katsenga, ACI South Africa Atli Khaas, ACTSA Gill Raine, ASISA Marius de Jongh (Observer), FSCA Carlos Martins, SAATA **Invitees:** Helina Sumbhoolaul (Authorised Dealer), JP Morgan	Gary Haylett, BASA Steven Panos, Capitec Bank Brice Parise (Authorised Dealer), JP Morgan Paul Wilson (Interdealer Broker), ICAP Elaine Mabiletsa (Exchange), JSE Limited Lesego Malehopo, SARB

1. Overview

The South African Foreign Exchange Committee (SAFXC) discussed:

1.1 feedback from the Global Foreign Exchange Committee (GFXC); and

1.2 feedback from SAFXC members.

2. Summary of discussions

2.1 The GFXC had held a two-day meeting on 1–2 June 2023 in Mexico. The highlights were as follows:

2.1.1 Commitment to the Foreign Exchange Global Code (Code) had been renewed by resigning the Statement of Commitment (SoC) following the review of the Code in July 2021. Since then, 983 institutions had resigned their SoCs, led by the sell-side sector.

2.1.2 The Proportionality Self-Assessment Tool had been launched digitally on 5 June 2023. The tool would be useful for both global and local outreach programmes, particularly guiding in terms of the processes followed in adopting the Code.

2.1.3 The GFXC would conduct a market survey in September 2023 aimed at gauging market participants' awareness and adoption of the Code as well as its effectiveness. The information collected through the survey would assist the GFXC in determining where to focus the next Code review.

2.1.4 The GFXC membership criteria had been reviewed, with the following changes:

i. Full membership would be limited to those countries with a minimum 1% foreign exchange (FX) global turnover, using the Bank for International Settlements' (BIS) Triennial FX Turnover Survey Report. A country that lost FX market share for two consecutive periods would become an associate member of the GFXC.

ii. The GFXC retained the discretion to allow certain jurisdictions that no longer met the market share requirement to keep full membership, in order to maintain its main representation. Most of the major economies already met the minimum threshold of 1% FX global turnover, using the BIS's Triennial FX Turnover Survey

Report. Although most of the emerging market (EM) countries would not meet the required minimum threshold, Mexico and South Africa were unlikely to be impacted given their regional representation of Latin America and Africa respectively.

2.2 Feedback from SAFXC members

2.2.1 Liquidity in the domestic FX market had declined by nearly 30% following the risk assessment of South African banks by offshore investors. International banks had added a risk premium to South African credit risk, making it expensive for local banks to raise funding in the FX forward and cross-currency basis markets, particularly for tenors above one year.

2.2.2 Offshore exposure by some local asset/fund managers had risen to 39% capacity of their offshore investment limits. The increase in capacity utilisations had been partly caused by the regulatory authority increasing offshore investment limits from 30% to 45%.

2.2.3 Concerns were raised regarding the rationale and merits of resigning the SoC given the slow adoption of the Code globally and locally, particularly by the buy-side sector.

3. Date of the next meeting

3.1 The next SAFXC meeting was scheduled for Wednesday, 27 September 2023.