

FX Market Sub-Committee Meeting 1/2016
Wednesday, 1 Jun 2016
Bank Negara Malaysia

Summary of Discussion

Attendees' views were sought on three areas: (1) market trading and liquidity, (2) rules and regulation and (3) offshore and onshore.

1. Market Trading/Liquidity

- The meeting discussed extending the official FX trading hours to better facilitate offshore trading of USD/MYR. Nevertheless, there is no restriction for banks to trade beyond the official FX trading hours.
- A few attendees highlighted the wide two-way prices in the onshore market. In the areas of narrowing the spread in the FX market, attendee welcomed the suggestion to move towards electronic trading platform (ETP) and viewed it as a positive avenue to promote efficient pricing and enhance market transparency.
- On a side note, a few attendees also shared the ease and efficient dealing process with offshore banks.

2. Rules and regulations

- A few attendees raised the issue of inconsistent interpretations of Foreign Exchange Administration (FEA) rules among the banks. A working group on standardizing documentation will be formed to address issue of inconsistent document requirements among banks. The working group will review and propose industry standard documentations requirement to ensure compliance with under the FEA rules. As an immediate approach, some attendees suggested for a targeted education program for compliance officers in the banks.
- A few attendees suggested for the consideration of flexibility on FEA rules to promote greater hedging activities.
- Attendees were asked to think of longer term measures or steps that can enhance efficiency and reduce costs of doing business in the markets. This would be discussed further at the next meeting.

3. Offshore and Onshore

- a. Attendees informed that European Market Infrastructure Regulation (EMIR) requires banks that meet the minimum threshold to clear derivatives transactions of G4 currencies through an exchange by end of 2016.