



August 11, 2014

Financial Stability Board - Foreign Exchange Benchmarks Consultative Document

NAB have read and considered the above document and would like to make the following submission.

The group recommends the fixing window be widened from its current width of one minute. It seeks feedback from market participants as to the appropriate width of the calculation window.

NAB agrees with the recommendation. It is our view that the window should be extended to 5 minutes (2 ½ minutes either side of 4.00 pm).

The group seeks feedback from market participants as to whether there is a need for alternative benchmark calculations (such as a volume weighted or time weighted benchmark price) calculated over longer time periods of up to and including 24 hours.

NAB considers volume weighted to be an acceptable alternative option. We do not believe that extending the window past the 5 minutes recommended above is viable, as it would increase risk to the bank as the window would be across economic numbers and events. Banks would need to price accordingly this increased risk, at the cost to customers.

The group also seeks feedback from market participants as to whether the fixing windows should continue to be centred exactly on the hour (half hour) or whether the fixing window should close or start on the hour. Market participants should consider whether this view changes depending on the size of the window.

NAB does not consider this to be an issue.

The group proposes that WM investigate the feasibility of receiving price feeds and transactions data from a broader range of sources to further increase its coverage of the FX market during the fixing window, and should regularly assess its coverage as market structure continues to evolve. In that regard the group also proposes that in the short term, WM develop its methodology to utilise the transactional and quote information from both Thomson Reuters Matching and EBS, wherever both are available.

NAB agrees WM should review its price feeds and adapt as market trends and liquidity sources change over time. At the very least WM should develop its methodology to include EBS as well as Thompson Reuters. Additionally, consideration should be given to third party aggregators who are now significant conduits to FX liquidity.

The group supports the development of industry-led initiatives to create independent netting and execution facilities. However, it also is interested in seeking feedback from market participants on the development of a global/central utility for order-matching to facilitate fixing orders from any market participants

NAB agrees that a development of a central exchange for order matching is an important development and should be supported.

The group recommends that fixing transactions be priced in a manner that is transparent and is consistent with the risk borne in accepting such transactions. This may occur via applying a bid-offer spread, as is typical in FX transactions, or through a clearly communicated and documented fee structure such as a direct fee or contractually agreed price.

NAB agrees that price makers need to become proactive in working with clients to ensure there is the right balance between risk and return with executing FIX flows. Pricing needs to be commensurate with the risk being borne by the price maker and banks need to communicate with clients to discover appropriate pricing.

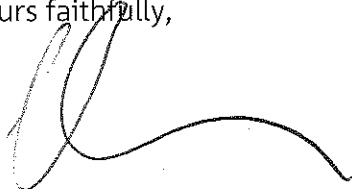
More broadly, the group recommends that banks establish and enforce their internal systems and controls to address potential conflicts of interest arising from managing customer flow.

NAB notes this point and can confirm updated policy is current within our organisation, and policy changes will occur as required of this process.

Additional comments

Additionally NAB would like to recommend WM revises its pricing methodology for the 4pm FX Forward rate setting. The price feeds used are considered to be outdated and not entirely representative of the traded market.

Yours faithfully,



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