

Minutes of the Canadian Foreign Exchange Committee Meeting #52

**Held at 4:00 p.m., Tuesday, May 27, 2003
Toronto**

Present: Firas Askari, President - FMAC
Joe Barbaro, Reuters (substitute)
J-F Courville, State Street Canada
Scott Dulmage, Bank of Nova Scotia (substitute/guest)
Craig Ellis, CIBC World Markets
Cliff Feehan, TD Securities
Jeff Feig, Citigroup
Susan Gammage, Reuters America Inc. (part of meeting)
Dan Gandy, Freedom International Brokerage
David Gibbins, RBC Capital Markets
Sharon Grewal, Chair - CCFP
Antoine Lajoie, National Bank of Canada (substitute)
Brad Meredith, HSBC Bank Canada
Jamie Thorsen, Bank of Montreal
Sheryl Kennedy, Bank of Canada (Chair)
Ross MacKinnon, Bank of Canada
Ron Morrow, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)

Regrets: Vincent Butkiewicz, National Bank of Canada
Normand Faubert, Laurentian Bank
Nigel Stephens, Department of Finance
Bernard Vives, Société Générale
Barry Wainstein, Bank of Nova Scotia

52.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair welcomed Jeff Feig to his first meeting with the CFEC.

52.2 Approval of the Minutes of meeting #51, held January 29, 2003

The minutes of the meeting of January 29, 2003 were approved, as written.

52.3 Approval of Changes to the CFEC's Document of Objectives and Organization

As was agreed to at the last meeting in January, two changes were made to the CFEC's Document of Objectives and Organization (DOO) (attached) to allow for up to two non-resident representatives from major Canadian dollar market-making institutions based outside of Canada to participate on the Committee (paragraphs numbered 1 and 2). As well, the number of voting members on the Committee needed to be increased from 15 to 16 (paragraph #5). The wording for these changes was **approved** by the Committee.

The rest of the DOO was also reviewed at this time to ensure that the Document is fully up-to-date. In this review, three more potential issues came up and **the Committee agreed** to the following changes:

- The quorum for the Committee was increased from one-third to two-thirds (paragraph #5).
- As the Committee felt that it did not require a Vice-Chair at this time, the reference to a Vice-Chair for the CFEC was removed (paragraph #8).
- It was decided that the positions on the Membership Subcommittee should each have a term of three years, not all expiring in the same year. This will be added to paragraph #10 of the DOO.
- It was noted that of the three individuals currently on the Membership Subcommittee, Jamie Thorsen's term on the CFEC expires in 2006 and the terms of David Gibbins and Barry Wainstein expire in 2005. Accordingly, it was thought that Jamie's term on the Subcommittee could expire in 2006. The **Membership Subcommittee will decide** whether it should be David's or Barry's term that expires in 2005, with the third person's term expiring in 2004 (on April 30th). This will ensure that the term of no more than one person expires each year.

52.4 A Website for the CFEC

Rob Ogrodnick reported that the Bank of Canada will be constructing a website for the CFEC as part of the Bank's website. The following documents and information could be included on the website:

- the Document of Objectives and Organization for the CFEC;
- the Document of Organization for the CCFP;
- a list of the current Committee members;
- the meeting schedule;
- the annual Report on Activities;
- the decisions and action items from the minutes; and

- links to other websites such as other FX committees, FMAC and the ACI.

Also, the members did not have any concerns with the data from the daily/weekly foreign exchange volumes report, in the highly aggregated tables that are sometimes distributed at the meetings, being included on the web page. These data are currently published once per year in the CFEC's annual Report on Activities. It was suggested that articles or papers on foreign exchange could be included as well. **The members are asked to contact Rob Ogrodnick with any other suggestions they may have for what could be included on the website.** The Bank will be working on this project over the summer and will report back at the September meeting. **Once it is completed, a mock-up of the CFEC website will be shared with the Committee, thereby allowing for comments on the website and its contents before it goes live.**

52.5 **Tour de table - Recent Market and Related Developments**

This Tour de table began with a new format in which Sheryl Kennedy spoke about current policy and economic developments and one of the members, in this case Craig Ellis, kicked-off the discussion on current financial market developments. Much of the discussion focused on the recent and remarkable appreciation, in terms of both size and speed, of the Canadian dollar.

[**Secretary's Note:** Beginning with this Tour de table, the discussion on current financial and economic developments will no longer be written up in detail in the minutes. There are a number of reasons for this. First, this very current information and discussion tends to have a very short "shelf life" and therefore the real benefit for the members of the Committee is from the discussion itself as opposed to "historical" minutes coming out sometime after the meeting. Second, it is much easier to put these more abbreviated minutes out quickly than a more detailed version. Third, information on the Bank's views about the economic and financial outlook are already published regularly in speeches and other documents. However, if there are issues discussed during the Tour de table that are of a more longer term policy nature, that part of the discussion will be included in the minutes.]

52.6 **A Proposal to Share Experiences with IT Systems**

This item was postponed until the next meeting in September.

52.7 **Report of the Canadian Committee for Professionalism (CCFP)**

Undisclosed/Unnamed Principal Trading - Sharon Grewal reported that the ACI has been working with the London and New York FX committees on this issue, with the ACI working toward amending its *Model Code* and London will be

making changes to the *Non-Investment Products (NIPS) Code*. Both will issue press releases on May 28th. She reported that the CCFP is in agreement with the new draft wording for the *ACI Model Code*. There had been some concerns initially with the issue of bulk trades and the fact that confirmation would occur only “as soon as practicable” after the trade was entered into, as opposed to something more definite such as “as soon as practicable and a least within one business day/24 hours/12 hours etc.”¹ However, the ACI had already debated this issue and concluded that it would be too complex to specify the actual time requirement. It was felt that specifying 24 or 12 hours could actually give too much leeway, as the expectation was that it would usually be confirmed in a much shorter time period.

Updates to the Model Code - Ms. Grewal said that she would give updates to the *Model Code* to Rob Ogrodnick to distribute to the Committee.

Contingency Planning - Ms. Grewal noted that in the event of a market disruption the only contingency planning the Committee has done (in contrast to individual institutions) is to put together an emergency contact list of names and telephone numbers. In some instances of market disruptions central banks have issued settlement instructions etc.

Ron Morrow responded that these are some of the kinds of issues that an Operations Managers Working Group or Sub-committee could look into. He was unaware of any other committee, from for example the CBA or CPA, that might be doing this kind of work and he wondered if the CFEC should be setting up such a committee. He also reported that the Operations Managers Working Group of the New York Foreign Exchange Committee (FEC) is inviting operations mangers from foreign exchange committees around to world to attend a meeting on September 17-18 to interact and share information on topics of mutual interest such as contingency planning.

All the members who spoke on this issue were favourably disposed toward setting up an Operations Mangers Working Group (OMWG) as part of the CFEC. It was noted that the operations groups of some other foreign exchange committees are very hard working and have had many issues to deal with. The CFEC itself does not have the same expertise as those who would be on such a group. A member of the New York FEC sits on their OMWG. It was suggested that if the CFEC was to have an OMWG, a member of that group should sit on the CFEC.

It was agreed that Ron Morrow, Sharon Grewal and Rob Ogrodnick should look into setting up such a group and would call around to the CFEC

1. The sentence in question reads as follows: “Where prior identification of the ultimate counterparty is practically difficult, such as in the case of a bulk transaction for later allocation to the principals of that agent, parties should agree in writing that the result of such allocation be confirmed as soon as practicable after the trade is entered into.”

members for candidates to sit on an Operations Mangers Working Group. The Objective would be to have these people meet over the summer, in advance of some of them attending the New York FEC's global meeting of operations managers in September.

52.8 Financial Markets Association of Canada News

Firas Askari reported that FMAC is hosting the 7th annual charity golf classic on June 14th. [Secretary's Note: This has subsequently been postponed until October 4th.] FMAC is also looking for a speaker for a major event in the Fall. Finally, FMAC is exploring the possibility of jointly hosting a conference with the Financial Markets Association USA.

52.9 Review of the Daily/Weekly Foreign Exchange Volumes Report

Prior to the meeting, Rob Ogrodnick had distributed to the members a document that outlined what he saw as the major problems and issues with the daily/weekly report on foreign exchange volumes. There was also a survey that was designed to solicit input from the participating banks, so that we have a better idea of what people want from the report. **The members were asked to complete the survey and send it to Rob Ogrodnick by June 18th. As well, the members are welcome to, if they like, appoint someone to a group that will work on this project.** This individual could be from either the front or the back office. It is important that both front and back office people are involved so that the new format for the report is beneficial and informative for all potential users but at the same time does not create an excessive reporting burden.

52.10 Other Business

Update on CLS - Ron Morrow reported that globally 30% of all foreign exchange volumes of the participating currencies are settled through CLS. The percentage for just dollar-Canada is lower at 15%. A member noted that there would appear to be the start of some differential pricing for CLS trades (this was in a currency other than the \$C). A broker reported that, although rare, they do get some requests for CLS counterparties.

Special Forum - The discussion on possibly hosting a special forum for accounts/corporates was, as a result of time restraints, postponed until the next meeting.

52.11 Date and Place of next Meeting

The next meeting had already been scheduled for 2:30 p.m. on Thursday September 25th at the Bank of Canada in Montreal.

Dinner Meeting

After the CFEC meeting, a dinner was hosted by Reuters. The guest speakers at the dinner were Janet Guttman (Reuters Deputy Bureau Chief) and Russell Blinch (Reuters Bureau Chief).