

Minutes of the Canadian Foreign Exchange Committee Meeting #84

**Held at 12:00 p.m., Wednesday, 14 May 2014
Toronto**

Present: Steve Boucouvalas, HSBC Bank Canada (substitute)
C.J. Gavsie, BMO Capital Markets
John Glover, Barclays Capital Canada
Michele Hardeman, State Street Global Markets
James Kemp, CIBC World Markets (substitute)
Moti Jungreis, TD Bank
Russ Lascala, Deutsche Bank
Clifton Lee-Sing, Department of Finance
Jack Linker, Thomson Reuters America
Gil Mandelzis, EBS Dealing Resources
Ed Monaghan, RBC Capital Markets
Barry Wainstein, Scotiabank
Paul Chilcott, Bank of Canada (Chair)
Harri Vikstedt, Bank of Canada
Eric Tuer, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)

Regrets: Harry Culham, CIBC World Markets
Jeff Feig, Citigroup
Laurent Ferreira, National Bank Financial Group
Adam Howard, BAML Canada
Jason Henderson, HSBC Bank Canada

84.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair welcomed Eric Tuer to his first meeting with the Committee.

84.2 Report of the Membership Subcommittee (MSC)

The Chair informed the Committee that as a long-standing and senior member of CFEC, the MSC¹ recommended that Barry Wainstein's term on the MSC be renewed.

¹ The members on the MSC include Paul Chilcott (Chair), Jeff Feig, Ed Monaghan and Barry Wainstein. Barry did not participate in the recommendation to renew his term on the MSC.

The committee was informed that the other renewals on CFEC will be reviewed the next time the MSC meets.

84.3 Tour de table – FX, Financial and Economic Developments

The discussion on current financial market and economic developments is not reported in the minutes.

84.4 Global FX Committee Meeting

CJ Gavsie and the Chair reported on the global FX committee meeting that was held on 11 April 2014 in Sydney. The minutes of the meeting have been posted on the Minutes page of the CFEC website (<http://www.cfec.ca/files/minutes-sydney.pdf>).

84.5 Update on Toronto RMB Initiative

The Toronto Financial Services Alliance has established a Committee to help explore the development of Toronto as a financial services hub for the Chinese renminbi (RMB). CJ Gavsie and Steve Boucouvalas, co-chairs of the Committee, provided a brief update on this initiative.

84.6 FX Survey Methodology (trading desk versus sales desk etc.)

The members discussed the strengths and weaknesses of various reporting methods for CFEC's semi-annual survey of foreign exchange volumes. These included the current trading desk in Canada basis, the sales desk in Canada basis used for the BIS triennial survey, a global consolidated reporting basis, and reporting based solely on customer activity in Canada.

The members were supportive of a proposal that the reporting method should be changed to the sales desk basis, as used in the BIS triennial survey, subject to those member banks on the Committee, who have sales desks in Canada but not trading desks, confirming that they will participate in the survey. Under this approach all CFEC member banks with a sales desk in Canada would be expected to report their volume. It was recognized that although the change in reporting basis to the sales desk would improve the market coverage of the survey in Canada, some deficiencies in the reporting would remain. For example, some non-resident banks, i.e., banks with neither sales desks nor trading desks in Canada, undertake transactions with clients in Canada that would still not be included in the survey. A Working Group will be asked to consider, by the September CFEC meeting, whether any additional steps could be taken to make the data more complete and useful to the reporting banks and the Bank of Canada.

84.7 Bank of Canada Noon and Closing FX Rates

The Chair referred to a recent speech by Deputy Governor Lane which had outlined the work the Bank has been undertaking in relation to Canadian financial benchmarks, including reviewing the use and construction of the FX rates published by the Bank. The Bank of Canada publishes exchange rates that are nominal quotations, not buying or selling rates, and they are intended for statistical, analytical and informational purposes only. However, it was noted that some market participants have used these indicative FX rates as the basis for their transactions. The Chair said that as part of its work, the Bank of Canada intended to conduct a public survey to better understand how market participants, individuals and public authorities use the FX rates published by the Bank. When this fact finding exercise is launched, the Committee members would be asked to bring the survey to the attention of their clients.

84.8 Buy-side Participation

The Chair asked whether CFEC should add buy-side participants to the Committee, noting that a number of the other FX committees globally have buy-side representation. The members discussed this issue and concluded that buy-side participation would make a valuable contribution to the work and discussions of the Committee. **The Chair said the Bank of Canada would develop a proposal to add buy-side representation to the Committee.**

84.9 Other Business and Next Meeting

Bank of Canada 2014 FX Hedging Survey – Harri Vikstedt reported that, as in previous years, the Bank of Canada will again undertake a survey on the hedging activities of banks' institutional and corporate clients. The draft institutional and corporate questions/templates will be sent to the CFEC members for comment shortly. The final survey templates are expected to be distributed to the participating banks in early June, with responses due by late June. These will be followed by bilateral discussions with the survey participants in July. The responses and feedback will be discussed at the September CFEC meeting, with the summary results to be posted on the Bank of Canada's website (with a link to the CFEC website) shortly after the meeting.

The next CFEC meeting will be held on September 30th in Toronto.