

**Minutes of the Canadian Foreign Exchange Committee  
Meeting #102**

**12:00 – 13:00  
17 September 2020  
Conference call**

Present: Jim McCrindle (Bank of America Merrill Lynch)  
Simon Watkins (BMO Capital Markets)  
Christine Bourgeois (Caisse de dépôt et placement du Québec)  
Lorne Gavsie (CI Investments)  
Manuel Mondedeu (CIBC World Markets)  
Miro Vucetic (Citi)  
Russell Lascale (Deutsche Bank)  
Les Radvanyi (HSBC)  
Martin Legault (National Bank Financial)  
Chris Soriano (NEX Group)  
Dagmara Fijalkowski (RBC Global Asset Management)  
Tom Gillie (RBC Capital Markets)  
Jill Sigelbaum (Refinitiv)  
Bill Kellett (Scotiabank)  
Sharon Kim (TD Securities)  
Nicolas Marion (Department of Finance)

Grahame Johnson, Bank of Canada (Chair)  
Zahir Antia, Bank of Canada (Secretary)  
Harri Vikstedt, Bank of Canada

The meeting was conducted as a conference call.

**1 Adoption of Agenda**

The Committee adopted the agenda, as written.

**2 FX market conditions**

Members discussed FX market conditions since the last CFEC meeting. They noted that volumes in the euro and Japanese yen spot market have been stable but have declined for some emerging market currencies. Trading volumes in the CAD have also declined, reflecting the relative narrow range it has been trading in. It was noted that volumes for the CAD on primary market platforms are about 30% below pre-Covid-19 crisis levels. Bid-offer spreads have been relatively stable since the last meeting, but are about 20% wider

than pre-Covid-19 crisis levels. Liquidity conditions in the CAD FX forward market have also been stable since the last meeting. It was noted that there has been some volatility recently in overnight funding markets, which had led to a slight increase in volatility in short-dated forwards. Funding pressures around year-end have not materialize in forward markets so far, likely due to the excess US dollar liquidity provided by the Federal Reserve, although this remains a potential risk as year-end approaches. Implied volatility levels for the CAD have increased modestly but remain below other major currencies.

Members discussed the weakness in the US dollar since the last meeting. It was noted that the narrowing of real yield differentials between the US and other currencies and the ongoing improvement in the global risk tone have been the main reasons for the decline in the US dollar. An increase in hedging activity, due to narrower yield differentials, likely exacerbated the sell-off. However, the US dollar is still about 15% stronger since 2017 on a trade-weighted basis. Members agreed that the US elections is a key risk for the currency. Some of this risk is already being reflected in market pricing – implied volatility in USDJPY between 1 and 2 months has increased recently.

### **3 Operational resilience**

Members discussed their organizations' plans to return staff to head office. Members indicated that these plans were fluid but some institutions were encouraging essential staff to return to the office. Others noted that they were taking a more gradual approach to bringing staff back. Members suggested that while work-from-home arrangements have worked relatively well, issues around technology, connectivity, and staff engagement have been a challenge.

### **4 Update on GFXC workstreams**

The Chair informed members that GFXC workstreams have resumed their work on the three-year review of the FX Global Code which was halted due to the Covid-19 pandemic. Members of the buy-side outreach and execution principles workstreams updated members on their progress and deliverables that will be discussed at the GFXC meeting later in September.

### **5 FX Settlement risk**

The Chair provided a summary of the presentations by the BIS and CLS at the June GFXC meeting on recent trends in FX settlement. He informed members that the GFXC will discuss potential ways it can address settlement risk at the September meeting. One option being considered is collecting data on settlement risk more regularly through the semi-annual turnover surveys. Strengthening language on settlement risk in the Code is also being considered. Members also agreed to invite a representative from CLS to the next CFEC meeting to discuss issues around FX settlement.

## **6 Other business**

The Chair informed members that when the Bank announced its 2021 FAD schedule, it said it would review the 10am publication time of its interest rate announcements. Members discussed on whether there was a need from an FX market perspective to change the FAD timing and whether any change would impact FX market functioning.

The next CFEC meeting will be in November. The Secretary will work with members to determine a date.