

**Minutes of the Canadian Foreign Exchange Committee
Meeting #72**

**Held at 1:30 p.m., Wednesday, 2 June 2010
Toronto**

Present: David Burke, Department of Finance (substitute/guest)
Harry Culham, CIBC World Markets
Andrew Grosso, Citigroup (substitute/guest)
Jason Henderson, HSBC Bank Canada
Laura Isidean, Scotia Capital (guest)
Blake Jespersen, President - FMAC
Mark Johnson, RBC Capital Markets and Chair – CCFP
Moti Jungreis, TD Securities
Jack Linker, Thomson Reuters America
Brendan Luxton, Scotia Capital (substitute)
Lynn Patterson, Bank of America Merrill Lynch Canada
Camilla Sutton, Scotia Capital (guest luncheon speaker)
Jamie Thorsen, BMO Capital Markets
Barry Wainstein, Scotia Capital
John Walks, State Street Canada
Donna Howard, Bank of Canada (Chair)
Carolyn Wilkins, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)

Regrets: Jeff Feig, Citigroup
Laurent Ferreira, National Bank Financial Group
Russell Lascale, Deutsche Bank
Clifton Lee-Sing, Department of Finance
Ed Monaghan, RBC Capital Markets
John Nixon, ICAP North America

72.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair welcomed Jason Henderson (the new member for HSBC Bank Canada) and David Burke (substituting for Clifton Lee-Sing) to their first meeting with the Committee.

72.2 Report of the Membership Subcommittee (Donna Howard)

Donna Howard reported that the Membership Subcommittee (MSC), consisting of herself, Jamie Thorsen and Barry Wainstein, consulted on a number of issues and would like to announce the following changes:

- (1) The terms of Harry Culham, Laurent Ferreira and John Walks expired on April 30th 2010 and were renewed for a three-year term ending on April 30th 2013.
- (2) Jason Henderson is the new representative on the Committee from HSBC Bank Canada, replacing Brad Meredith.
- (3) With the departure of Brad Meredith, there is a vacancy on the MSC.

72.3 Tour de table – FX, Financial Market and Economic Developments

The Tour de table is not reported in the minutes.

72.4 Bank of Canada FX Closing Rates around Holidays

In the past, the Bank of Canada had received questions regarding its procedure for publishing its closing foreign exchange (FX) rate on Christmas Eve and New Year's Eve. The standard procedure for the Bank of Canada is to publish, on the Bank's website generally before 4:30 pm, closing FX rates that are indicative of wholesale market quotes as of 4:00 pm each day. However, trading volume is substantially lower on Christmas Eve and New Year's Eve. Following up on this issue from the previous meeting, it was announced that to reflect this reduction in liquidity, the Bank of Canada will implement the following standard procedures to publish the Bank's closing rate:

- (1) For both Christmas Eve and New Year's Eve, the closing FX rate will be the same as the noon rate for that day. This will also be the procedure for Friday if Christmas Eve and New Year's Eve fall on a Saturday or Sunday.

{Secretary's Note of 16 March 2011: Originally the minutes stated "If either day falls on a weekend, the normal process will be followed for the prior closing rate, that is, at 4:00 pm." but a review was undertaken by the CFEC after reconsidering current market practice. Members agreed to the revision and the procedure is as stated in (1).}

- (2) Similarly, to take into account the lower level of market liquidity, the closing rate will be the same as the noon rate for any day that is a

Canadian market holiday but not a Bank of Canada holiday. Currently this applies only to Family Day.

The CFEC members were in agreement with this proposed procedure. It should be noted that the noon and closing FX rates published by the Bank of Canada are intended for statistical and analytical purposes only. While the data are obtained from sources believed to be reliable and the methodology is sound, the Bank of Canada does not guarantee their accuracy or completeness. Furthermore, the Bank does not guarantee the appropriateness of these rates for transactional purposes.

72.5 CAD Update

Jack Linker from Thomson Reuters gave a presentation on CAD-USD currency pair on the Reuters Matching system, including volumes, the number of matches and average trade sizes etc. He also spoke about the Reuters Trading for Foreign Exchange (RTFX) multi-bank portal. The presentation generated discussion on the large and growing volume of algorithmic trading in the FX market.

72.6 Other Business

Update on CFEC Priorities

Carolyn Wilkins provided an update on some of the priorities mentioned in the March 5th paper on the Canadian FX market, including the work that is proceeding to establish a same-day USD-CAD settlement cycle in CLS. There was also some discussion on regulatory reform and the initiatives underway to satisfy the G20 commitments to strengthen the international financial regulatory system.

BOC FX Hedging Survey

Ms. Wilkins informed the CFEC that the Bank of Canada will be undertaking another Canadian corporate FX hedging survey. The survey will be sent out next month and there will be follow-up visits with each bank. The results of the survey will be reported to the Committee and then published on the Bank of Canada and CFEC websites.

Supplementary Meeting with the Governor

Donna Howard reported that the Governor had offered to host a meeting with the CFEC. The date that had been proposed for a meeting in Toronto did not

work for a number of the CFEC members. We will therefore be looking for another date sometime in late November in Ottawa.

72.7 Next Meeting

The next meeting will be held on October 5th in Toronto.