

**Minutes of the Canadian Foreign Exchange Committee
Meeting #96**

**Held at 12:00 p.m., Tuesday, 25 September 2018
Toronto**

- Present: Steve Boecker, Magna International Inc.
Glenn Crotty, Bank of America Merrill Lynch
Earl Davis, Ontario Teachers' Pension Plan
Dagmara Fijalkowski, RBC Global Asset Management
David Gary, Deutsche Bank (substitute)
Lorne Gavsie, CI Investments
Sian Hurrell, RBC Capital Markets
Seth Johnson, NEX Group
William Kellett, Scotiabank
John Leclair, BMO Capital Markets (substitute)
Arden Majewski, CIBC World Markets
Les Radvanyi, HSBC Bank Canada (substitute)
Gaetan Reid, State Street Global Markets
Christopher Vogel, TD Securities
Nicolas Marion, Department of Finance
Paul Chilcott, Bank of Canada (Chair)
Zahir Antia, Bank of Canada
Ilya Vorobyev, Bank of Canada (Secretary)
- Regrets: Christine Bourgeois, Caisse de depot et placement du Quebec
Simon Labrosse, National Bank Financial
Chris Leonard-Appleton, Thomson Reuters
Miro Vucetic, Citi

The meeting was hosted at TD.

1 Adoption of Agenda

The Committee adopted the agenda, as written. Seth Johnson, John Leclair and Les Radvanyi attended their first meeting.

2 Tour de table – FX, Financial and Economic Developments

Members discussed FX market functioning and developments since the last meeting, including the impact of global trade developments on the Canadian dollar and the recent volatility in emerging markets (EM).

Members noted that NAFTA and broader trade-related headlines have been influencing the performance of the Canadian dollar recently and are expected to remain an important factor in the short-term. However, over the longer-term the Canadian dollar is likely to be influenced by other factors such as Canada-US interest rate differentials, oil prices, consumer debt levels dynamics in Canada and the relative competitiveness of the Canadian economy. Members noted that USD/CAD volatility has been relatively stable recently and was not signalling expectations for large moves in the Canadian dollar exchange rate. Trading volumes were lower over the summer but had recently picked up.

Members noted that EM currencies have been under pressure recently due to a number of factors: (i) higher US interest rates and a stronger US dollar; (ii) a potential slowdown in economic growth in China; (iii) idiosyncratic issues in certain countries. Members generally agreed that fund outflows out of EM were continuing and EM currencies are likely to remain vulnerable in the short- to medium-term.

3 GFXC Meeting update

The Chair shared with the members a summary of the GFXC meeting that took place in Johannesburg in June.

- **Pre-hedging examples.** The Chair informed the Committee that the [Global Code](#) was updated with a pre-hedging example in relation to Principle 11. Other possible examples were not added but will continue to be reviewed as follow up work continues.
- **Global Code: one year on.** The Chair shared the main takeaway from the GFXC meeting that the adoption of the Code by sell-side market participants was good, whereas adoption by buy-side participants had so far been slower. The Chair encouraged members to review the paper [“The FX Global Code at One Year: A Look Back and a Look Ahead”](#) published by the GFXC.
- **GFXC priorities for next year.** The Chair notified the members about new GFXC working groups that had been created post GFXC meeting and mentioned that outreach to buy-side market participants and embedding the Code into FX market practice were key priorities for the GFXC.

Members participating in the GFXC “Transparency and Disclosure” working group provided an update on the work being undertaken by the working group. Members discussed the possible trade-offs between developing broad principles and prescriptive rules on disclosure best practices.

Several members mentioned that some buy-side participants use the Global Code as best practice guidelines and are reviewing their internal processes even though they had not yet published a formal statement of commitment.

4 IBOR benchmark reform update, Canada and international

The Bank provided a brief overview of the current work being undertaken by the Canadian Alternative Reference Rate working group ([CARR](#)).

The Bank also encouraged members to provide their feedback on ongoing public consultations by the International Swaps and Derivatives Association (ISDA) and Alternative Reference Rate Committee (ARRC).

5 BIS FX settlement risk work update

The Bank provided a brief update on the discussion of the FX settlement risk at the BIS Markets Committee and notified members that additional questions on the magnitude of FX settlement risk exposures will be added to the next BIS triennial FX survey.

Members briefly discussed the progress on the development of CLS Now (a new same-day payment-versus-payment settlement service), volumes of netting in the FX markets and the relationship between the BIS [Supervisory guidance for managing settlement risk in foreign exchange transactions](#) and the Global Code.

Next CFEC Meeting: The meetings schedule for 2019 will be set as soon as possible.