

Minutes of the Canadian Foreign Exchange Committee Meeting #85

**Held at 12:00 p.m., Tuesday, 30 September 2014
Toronto**

Present: C.J. Gavsie, BMO Capital Markets
Michele Hardeman, State Street Global Markets
Jason Henderson, HSBC Bank Canada
James Kemp, CIBC World Markets (substitute)
Dino Kos, CLS Bank (guest)
Moti Jungreis, TD Bank
Simon Labrosse, National Bank Financial (substitute)
Clifton Lee-Sing, Department of Finance
Jack Linker, Thomson Reuters America
Gil Mandelzis, EBS Dealing Resources
Ed Monaghan, RBC Capital Markets
Miro Vucetic, Deutsche Bank (substitute)
Barry Wainstein, Scotiabank
Rocky Zannella, BAML Canada (substitute)
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
Laurent Ferreira, National Bank Financial Group
John Glover, Barclays Capital Canada
Adam Howard, BAML Canada
Russ Lascale, Deutsche Bank

Lunch and Guest Speaker

The meeting was hosted at TD Securities. The guest speaker over lunch was Chris Concannon, President and Chief Operating Officer of Virtu Financial. Mr. Concannon spoke on electronic market making, high frequency trading, and real-time risk management.

85.1 Adoption of Agenda

The Committee adopted the agenda, as written. Simon Labrosse and Miro Vucetic attended their first meeting with the Committee

85.2 Report of the Membership Subcommittee (MSC)

The Chair informed the Committee that the MSC¹ is looking to replace Jeff Feig who, having stepped down from CFEC due to him leaving Citigroup, is no longer on the MSC. Once that has position has been filled, the full MSC will meet to discuss buy-side representation and other membership issues.

85.3 Tour de table – FX, Financial and Economic Developments

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

85.4 Update on the Toronto RMB Initiative

C.J. Gavsie provided an update on the Toronto RMB initiative. The Toronto Financial Services Alliance and Advantage BC issued their first press release on 27 August 2014 announcing that they would work together, and with other stakeholders, to promote Canada as a trading hub for the Chinese currency, the Renminbi (RMB). (<http://www.newswire.ca/en/story/1403396/Canada-seeks-to-become-renminbi-rmb-trading-centre-for-the-americas>)

85.5 CLS Update

Dino Kos presented the final results from CLS Bank's first settlement methods survey that was undertaken during April 2013, the same reporting period as for the BIS triennial survey. The survey was intended to measure how CLS members settle CLS eligible products and currencies. The settlement methods include CLS Bank's payment-versus-payment (PvP) settlement system, other PvP systems, "On-Us" in which both legs of a transaction are settled across the books of a single institution, bilateral netting and gross settlement.

In other CLS updates, it was noted that the USD-CAD same-day settlement cycle has been up and running for one year, and CLS is working with its members to explore the applicability of alternative settlement sessions for other geographies. CLS opened an office in Hong Kong (to complement the existing presence in Tokyo), and is focused on expanding participation in CLS as part of a broader participation expansion strategy. Progress has also been made in terms of expanding the number of currencies in CLS.

¹ The members on the MSC include Paul Chilcott (Chair), Ed Monaghan, Barry Wainstein and one other CFEC member still to be determined.

85.6 FSB Foreign Exchange Benchmark Group

The Financial Stability Board released the final recommendations of the FX Benchmark Group on September 30, the same day as the CFEC meeting. Harri Vikstedt summarized some of the recommendations and a short discussion followed. The final report can be found at: http://www.financialstabilityboard.org/publications/r_140930.pdf

Mr. Vikstedt also reported that the Bank of Canada is reviewing the responses to its survey on market practices in relation to and market participants' use of the FX rates published on the Bank of Canada's website. He noted that any changes to the calculation and publication of those rates would be announced by the Bank of Canada in advance.

85.7 Basis for Reporting in CFEC's FX Volume Survey

A Working Group was asked to consider whether any additional steps could be taken to make the data in the FX volume survey more complete and useful to the reporting banks and the Bank of Canada. Rob Ogrodnick reported that there was agreement with CFEC's decision to change the reporting basis from the trading desk in Canada to the sales desk in Canada. This would improve the market coverage of the survey by allowing other banks that have sales desks in Canada, but not trading desks, to participate in the survey. The Working Group thought it would be useful to have a local (inside Canada)/cross-border (outside Canada) breakdown for the two client counterparty categories "other financial institutions" and "non-financial customers". As well, to aid in the collection of accurate and consistent data across banks, the Working Group thought there should be a clearly defined "statement of purpose" indicating what the survey was intended to capture. The Bank of Canada agreed to draft this statement and work with the Working Group to review the reporting guidelines to ensure they are as clear as possible.

Mr. Ogrodnick noted that the Working Group also discussed the "customer or client activity in Canada" model of reporting, which would capture the foreign exchange flows conducted by banks outside of Canada that service clients in Canada and do not currently participate in the CFEC report. However, the Working Group concluded that this was not a feasible alternative. He also mentioned that while there are no geographic or "by country" breakdowns in any of the other FX committee surveys globally, the London survey collects data on USD/CAD and other CAD crosses, and the New York survey on USD/CAD. These data are publicly available on the London and New York FX committee websites.

It was agreed that the new methodology (sales desk in Canada reporting basis) and a local/cross-border breakdown for two of the counterparty categories would begin with the April 2015 reporting period.

85.8 Results of the Bank of Canada's 2014 FX Hedging Survey

Harri Vikstedt presented some of the findings of the Bank of Canada's 2014 survey on the hedging activities of the banks' institutional and corporate clients. Once the report with the summary results has been finalized, it will be posted on the Bank of Canada's website (with a link to the CFEC website).

85.9 Other Business

CFEC's 2015 meeting schedule is to be determined.