

Minutes of the Canadian Foreign Exchange Committee Meeting #75

**Held at 1:30 p.m., Wednesday, 9 February 2011
Toronto**

- Present:** Firas Askari, BMO Capital Markets (substitute)
Steve Boucouvalas, HSBC Bank Canada (substitute)
Harry Culham, CIBC World Markets
Blake Jespersen, President – FMAC
Mark Johnson, RBC Capital Markets and Chair – CCFP
Moti Jungreis, TD Securities
Clifton Lee-Sing, Department of Finance
Jack Linker, Thomson Reuters America
Barry Wainstein, Scotia Capital
Rocky Zannella, Bank of America Merrill Lynch Canada (substitute)
Donna Howard, Bank of Canada (Chair)
Rob Ogrodnick, Bank of Canada (Secretary)
- Regrets:** Jeff Feig, Citigroup
Laurent Ferreira, National Bank Financial Group
Jason Henderson, HSBC Bank Canada
Ed Monaghan, RBC Capital Markets
John Nixon, ICAP North America
Lynn Patterson, Bank of America Merrill Lynch Canada
Jason Shell, Deutsche Bank
Jamie Thorsen, BMO Capital Markets

75.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair welcomed Rocky Zannella (substituting for Lynn Patterson) to his first meeting with the Committee.

75.2 Latin American Economic and Currency Outlook

Pable Breard, Head of International Research at Scotia Capital, gave a presentation on the economic and currency outlook for Latin America. Mr. Breard spoke about the “Latin Five” (Brazil, Chile, Colombia, Mexico and Peru) as well as Argentina and Venezuela. As in other emerging market areas, some of these countries are experiencing large capital inflows and appreciating currencies.

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

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

High Frequency Trading (HFT)

The Committee had a short discussion on HFT, a topic that is being discussed more and more with the increase in FX volumes being attributed to it. There are mixed views on HFT, with some seeing it as positive development that contributes to liquidity in the market. In their view, HFT has not caused any of the problems in the FX market that are sometimes alleged to have occurred in other financial markets such as equities. As such, HFT can be appropriately monitored by FX committees through codes of best market practices. In contrast, for others the benefits are less certain. They believe that HFT may not be adding to liquidity but taking from it, and it has meant that the average trade size has become smaller and smaller over time. In their view, HFT is becoming increasingly complex and may need stronger market surveillance than by FX Committees.

Global Meeting of FX Committees

The Bank of Canada is hosting the next global meeting of FX committees on April 4th in Ottawa. Donna Howard, Harry Culham and Rob Ogrodnick will be representing the CFEC. Once a draft agenda has been prepared, it will be circulated to the CFEC to give the members the opportunity to provide input on the topics.

75.4 Other Business

Canadian Committee for Professionalism

Mark Johnson mentioned some of the issues the CCFP is currently discussing. With respect to CLS this includes identifying if there are any other participants who would be interested in taking part in the In/Out swap process in North America, and also the question of rescinds or the pulling of a trade from CLS settlement. Two other issues include the procedure that is used to post fixings in outright forwards, and also the process to post collateral based on spot settings.

Canadian Representation at the ACI

Blake Jespersen brought the renewal of Canadian FX market representation at the ACI to the CFEC. This will be looked into.

75.5 Next Meeting

The next meeting will be held on Wednesday, June 1st in Toronto.