

Minutes of the Canadian Foreign Exchange Committee Meeting #67

**Held at 1:30 p.m., Thursday, May 22, 2008
Toronto**

Present: Firas Askari, BMO Capital Markets (substitute)
Joe Barbaro, Reuters Canada (substitute)
Ed Cass, CPP Investment Board (guest)
Craig Ellis, CIBC World Markets
Sharon Grewal, Chair - CCFP
Andrew Grosso, Citigroup (substitute/guest)
Moti Jungreis, TD Securities
Russell Lascala, Deutsche Bank
Brendan Luxton, Scotia Capital (substitute/guest)
Brad Meredith, HSBC Bank Canada
Richard Poirier, National Bank (substitute)
Andrew Spence, Ontario Teachers' Pension Plan (guest)
Evan Steed, President, FMAC
George Pickering, Bank of Canada (Chair)
Carolyn Wilkins, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)

Regrets: Jeff Feig, Citigroup
Clifton Lee-Sing, Department of Finance
Jack Linker, Reuters America
Tim Miles, ICAP Capital Markets Canada
Harry Samuel, RBC Capital Markets
Jamie Thorsen, BMO Capital Markets
Barry Wainstein, Scotia Capital
John Walks, State Street Canada

67.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair welcomed Andrew Grosso to his first meeting with the CFEC, and also introduced the two guest speakers, Ed Cass and Andrew Spence.

67.2 The FX Strategies of Large Institutional Investors

As large institutional investors, Andrew Spence from the Ontario Teachers' Pension Plan and Ed Cass from the CPP Investment Board gave presentations on their funds' approach to the management of

foreign exchange risk. This was followed by questions and discussion with the Committee members.

67.3 Financial Market Turmoil and the Bank of Canada's "Toolkit"

Carolyn Wilkins gave a presentation on recent developments and initiatives of the Bank of Canada related to market operations and lending. To satisfy its financial stability objectives, the Bank of Canada has provided liquidity at terms beyond one day (through term purchase and resale operations) against an expanded list of eligible collateral.

Five principles have been developed to guide the use of tools to deal with financial instability: (1) lending to support market liquidity should mitigate moral hazard; as well, intervention should be (2) graduated or calibrated to the severity of the problem; (3) targeted or, more specifically, concentrated on liquidity disruptions which, by their nature, are not permanent; (4) well-designed or tailored for the job at hand; and (5) efficient, meaning it should not create further market distortions. For additional information, Ms. Wilkins referred the members to Governor Carney's speech of May 22, "Principles for Liquid Markets", which can be found on the Bank of Canada's website (www.bankofcanada.ca). A range of tools are under consideration and there are a number of proposed amendments to modernize the *Bank of Canada Act*.

67.4 Tour de table - Recent Market Developments

The Tour de table is not reported in the minutes.

67.5 Membership Subcommittee

George Pickering reported that the Membership Subcommittee will have to meet in the near term to deal with a few issues including the usual April 30th expiration of the terms of a number of the members.

67.6 Global Meeting of FX Committees

On April 2nd, the Bank of England hosted a global meeting of representatives of FX committees, only the second time such a meeting has been held. The CFEC was represented by George Pickering, Moti

Jungreis and Rob Ogrodnick. While no official minutes are being prepared, the Secretary has distributed by e-mail a summary of some of the highlights of the discussion.

67.7 FMAC News

Evan Steed informed the members about the 12th annual Sick Kids Charity Golf Tournament that will be held on June 1st. He also informed the Committee about the Annual General Assembly which will be held on November 5th.

67.8 Next Meeting

The next meeting will be held on October 2nd at the Bank of Canada in Ottawa.