

**Minutes of the Canadian Foreign Exchange Committee  
Meeting #89**

**Held at 12:00 p.m., Tuesday, 16 February 2016  
Toronto**

Present:      Firas Askari, BMO Capital Markets (substitute)  
                 Martha Campbell, Thomson Reuters (substitute)  
                 Darryl Hooker, EBS/ICAP (substitute)  
                 Russell Lascala, Deutsche Bank  
                 Jack Linker, Thomson Reuters  
                 Gaétan Reid, State Street Global Markets (substitute)  
                 Philippe Savoy, RBC Capital Markets  
                 Camilla Sutton, Scotiabank  
                 Michael Twaits, TD Securities (substitute)  
                 Paul Chilcott, Bank of Canada (Chair)  
                 Harri Vikstedt, Bank of Canada  
                 Eric Tuer, Bank of Canada  
                 Rob Ogrodnick, Bank of Canada (Secretary)

Regrets:      C.J. Gavsie, BMO Capital Markets  
                 Andrew Grosso, Citibank  
                 Michele Hardeman, State Street Global Markets  
                 Jason Henderson, HSBC Bank Canada  
                 Adam Howard, BAML Canada  
                 Moti Jungreis, TD Bank  
                 Simon Labrosse, National Bank Financial  
                 Arden Majewski, CIBC World Markets  
                 Gil Mandelzis, EBS Dealing Resources  
                 Mervin Merkowsky, Department of Finance  
                 Ed Monaghan, RBC Capital Markets

The meeting was hosted at Thomson Reuters.

**89.1 Adoption of Agenda**

The Committee adopted the agenda, as written. A number of the members were unable to attend as a result of the last minute cancellation of flights. Philippe Savoy and Martha Campbell attended their first CFEC meeting.

## **89.2 Report from the Membership Subcommittee (MSC)**

The MSC<sup>1</sup> met on January 20<sup>th</sup>. Paul Chilcott reported the following membership changes and updates.

- Arden Majewski has replaced James Kemp.
- Mervin Merkowsky has replaced Cliff Lee-Sing as the observer from the Department of Finance.
- Barclays has closed their FX operations in Toronto and John Glover has stepped down from CFEC.
- The terms of the four individuals/financial institutions set to expire at end-April 2016 have been renewed for three years (State Street Global Markets, CIBC World Markets, National Bank Financial and BAML).
- C.J. Gavsie's term on the MSC, set to expire at end-April, has been renewed for three years.
- A Buy-side Contact Group, consisting of pension funds, asset managers and corporates, is being formed to obtain feedback on the new Global Code of Conduct as it is developed. The Code will apply to all wholesale market participants.

## **89.3 Tour de table – FX, Financial and Economic Developments**

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

## **89.4 Global FX Code of Conduct – Phase 1 Draft**

A first draft of Phase 1 of the Global Code had been circulated to the Foreign Exchange Working Group (FXWG) and Markets Participants Group (MPG) members for feedback. The second draft was circulated more broadly to include the foreign exchange committees (FXCs) and the other jurisdictions of those represented on the FXWG who do not have FXCs. The CFEC members were asked for written comments on the second draft. The aggregated comments were discussed at the meeting and will be sent to the Global Code working group. The global feedback received on the second draft will be discussed at a joint FXWG/MPG meeting on February 26<sup>th</sup>. The next draft of the code is expected to be circulated on March 10<sup>th</sup> and CFEC is planning to hold an additional meeting on March 22<sup>nd</sup> to discuss that draft. As noted above, a Buy-side Contact Group is being formed to provide additional feedback on this and future drafts of the Global Code.

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<sup>1</sup> The Membership Subcommittee consists of Paul Chilcott (Chair), C.J. Gavsie, Moti Jungreis and Ed Monaghan.

## **89.5 Bank of Canada announces Future Changes to Published FX Rate Data**

Harri Vikstedt informed the Committee that simultaneous with this meeting the Bank of Canada was announcing future changes to the number, frequency and calculation methodology of its published FX rates. To allow ample time for users of these rates to make any adjustments that may be required, these changes will not come into effect until 1 March 2017. The changes are:

- The number of currencies published will be reduced to roughly 25. The list of currencies will reflect the combination of the top currencies by trading volume (based on the BIS Triennial Turnover Survey) and those of Canada's top trading partners (based on Statistics Canada's international merchandise trade data). The list will be finalized in the fourth quarter of 2016, and will be reviewed, and adjusted if required, every three years.
- The Bank will no longer publish two sets of exchange rates (noon and closing) but will instead publish a single indicative rate per currency each day at 16:30 Eastern Time (ET).
- A new calculation methodology will be used that broadly reflects the average exchange rate observable throughout the Canadian business day, rather than a single point in time, as is currently calculated. Exact details of this methodology will be announced in the fourth quarter of 2016.

These changes reinforce the distinction between FX rate fixings used as benchmarks for transactional purposes and Bank of Canada exchange rates that are provided as a public good for statistical, analytical and informational purposes only. They are being implemented after broad public consultation (including almost 17,000 responses to a 2014 Bank of Canada survey). The changes also take into account the ongoing international work on financial benchmarks, including the recommendations from the Financial Stability Board (FSB) on foreign exchange benchmarks and the Principles for Financial Benchmarks published by the International Organization of Securities Commissions (IOSCO). The press release from the Bank of Canada on these changes can be found at:

<http://www.bankofcanada.ca/2016/02/bank-canada-announces-future-changes-published-foreign-exchange-rate-data/>

## **89.6 Next CFEC Meetings:**

- 22 March 2016 in Toronto (on the next draft of Phase 1 of the Global Code)
- 2 June 2016 in Toronto