

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

**12:00 – 14:00**  
**8 September 2022**  
**BMO Capital Markets**

Present: Stephen Best, Refinitiv  
Christine Bourgeois, Caisse de dépôt et placement du Québec  
Dagmara Fijalkowski, RBC Global Asset Management  
Lorne Gavsie, CI Global Asset Management  
Tom Gillie, RBC Capital Markets  
William Kellett, Scotiabank  
Greg Debienne, TD Securities  
David Gary, Deutsche Bank  
Jim McCrindle, Bank of America  
Manuel Mondedeu, CIBC World Markets  
Charles Perreault, Department of Finance, Canada  
Gaétan Reid, State Street Global Markets  
Elizabeth Steele, HSBC Bank Canada  
Miro Vucetic, Citibank  
Jean-Philippe Blais, BMO Capital Markets  
Josh Matthews, CME

Grahame Johnson, Bank of Canada (Chair)  
Zahir Antia, Bank of Canada (Secretary)  
Harri Vikstedt, Bank of Canada

External speakers:  
Gregory Anderson, BMO Capital Markets  
Shirley Barrow, RBSL

The meeting was conducted in-person with a video-conference option.

## **1 Adoption of Agenda**

The Committee adopted the agenda as written.

The Chair welcomed Greg Debienne from TD Securities to the Committee as the firm's new representative.

## **2 WM/Refinitiv “Request for Feedback”**

Shirley Barrow, Global Head of Benchmarks & Index Business at Refinitiv, provided an update on the WMR’s user engagement and its “Request for Feedback” on the WMR Spot benchmark rates. The objective of the “request for feedback” was to encourage all users to provide their opinions and comments on five key areas (i) the calculation window; (ii) the window around month-end; (iii) the potential for market impact (iv) potentially using additional data sources and (v) interest for additional and / or new WMR benchmarks.

In summarizing the feedback received so far, Ms. Barrow noted that a majority of respondents considered the current window of 5 minutes to be appropriate while about one third considered the window to be too short. There was however, a consensus of views from respondents that the calculation window at non-month end and month end should be the same. Approximately a third of respondents indicated that they were concerned about the potential for market impact around the WMR fix. Ms. Barrow noted that there was significant interest in response to the question on adding new data sources into the calculation. A few different providers were suggested but it was also made clear these would need to be reviewed and analysed to ensure they were an appropriate fit for the WMR benchmark rates. There was reasonable interest in the inclusion of additional currencies while there was limited interest in the creation of new benchmarks based on the aggregation of current WMR rates.

Refinitiv will review, aggregate, and summarise the information to determine further areas for development of WMR. Any proposals will progress through the appropriate governance process and a client consultation.

## **3 FX market outlook**

Mr. Greg Anderson, Global Head of FX Strategy at BMO Capital Markets, presented the firm’s outlook for currency markets. He noted that FX markets have been relatively stable despite some significant changes in traditional fundamental drivers of FX markets. For example, even with the increased geopolitical risks and changes in the monetary policy outlook, the moves in FX markets have been fairly orderly. FX volatility, although elevated, has not reached levels seen during other big macro-economic shocks, such as the Brexit vote or when the Swiss National Bank removed the EURCHF floor.

Mr. Anderson noted that the broad-based real trade-weighted USD index is approaching historically high levels. The USD has benefited from the Fed’s aggressive rate increases, weak global risk sentiment, and FDI / reshoring inflows. The CAD is the best performing G10 currency against the USD, largely reflecting the view that Canada and the loonie are increasingly seen as a safe haven. Canada is also a net creditor country now, compared to 1998 when it was a net debtor country.

#### **4 Debrief of June GFXC meeting**

The Chair provided members an update on the GFXC meeting held in Zurich in June. He noted that most of the upcoming workplan for the GFXC will be focused on buy-side adoption of the Code. Two working groups (WG) have been formed that will work on these issues. The Proportionality WG will facilitate adherence to the Code by developing tools and resources to better explain the Principle of Proportionality. The WG presented a prototype of a web-based tool, which aims to help market participants highlight those Principles in the FX Global Code that pertain most closely to their activity in the FX market. The WG will engage extensively with buy-side market participants to gather feedback to help refine further iterations of the web-based tool.

The GFXC will establish a second working group that will focus on promoting the benefits of adhering to the Code. Amongst other issues, the WG will continue to look at ways to link the Code to “G” in ESG mandates and further clarifying the process on how to adopt the Code. Dagmara Fijalkowski, the CFEC member from RBC GAM presented at the GFXC meeting on how RBC GAM used the Code as a training tool to empower staff to demand best execution practices.

There was a discussion on the availability of FX market data. The underlying issue is that for market participants to be able to assess the quality of their execution, they need to have access to adequate data and information, which could be costly and difficult to obtain. Given that ‘market data’ could encapsulate a very broad field, the GFXC agreed to continue developing their thinking around market data, with the view to discuss further as part of the next Code review.

Finally, the GFXC invited three industry executives from Baton Systems (Alex Knight), CLS Bank (Marc Bayle de Jesse) and Finality (Rhomaïos Ram), to present on recent technology solutions being developed to mitigate FX settlement risk. The Chair of the CPMI Working Group (Hampton Finer, FRBNY) provided a progress update on their work. He highlighted that the group would publish a consultative report in July 2022 which would analyse the causes of non-PvP settlement, take stock of existing and proposed new PvP solutions and suggest roles for the private and public sectors to facilitate PvP adoption.

#### **5 CARR update**

Mr. Harri Vikstedt, Co-Chair of CARR, reminded members that Refinitiv Benchmark Services (UK) Limited (RBSL) will cease the publication of CDOR after June 28, 2024. Following a public consultation, CARR continues to examine the feasibility of developing an IOSCO compliant forward-looking Term CORRA rate which could be used only for loans. He noted that such a rate could potentially be constructed from CORRA futures, similar to the term SOFR rate published by the CME.

## **6 Update on buy-side outreach initiatives**

A member from the Bank of Canada updated the Committee on its ongoing outreach efforts to raise awareness of the Code amongst buy-side firms. The Bank of Canada continues to work with the large pension funds who have not yet signed and been engaging with large Canadian asset managers to educate and encourage them to adopt the Code.

## **7 Other business**

Members discussed their “return to office” plans. Most firms are transitioning to working more days in the office albeit, with some flexibility.

The Secretary will work with members to identify a suitable date for the next CFEC meeting.