

Minutes of the Canadian Foreign Exchange Committee Meeting

12:30 – 14:30
September 23, 2025
CIBC

Present: Stéphane Lavoie, (Bank of Canada, co-Chair)
Dagmara Fijalkowski (RBC GAM, co-chair)
Tobi Jungerman (Bank of America)
Manuel Mondedeu (CIBC World Markets)
Miro Vucetic (Citibank)
Sean Macdonald (CPPIB)
Mark Burnatowski (Scotiabank)
Jean-Philippe Blais (BMO Capital Markets)
Tony Kim (RBC Capital Markets)
Lorne Gavsie (CI Investments)
Timothy De Leon (OTPP)
Dan Mazza (State Street)
Greg Debienne (TD Securities)
Rob Palladino (JP Morgan Chase)
Charles Perrault (Department of Finance)
Sebastian Sierotnik (CME Group)
Audra Scharf (LSEG)
Martin Legault (National Bank Financial)
Zahir Antia (Bank of Canada, Secretary)
Harri Vikstedt (Bank of Canada)

External speakers:

Alex Saunders (Citibank)
Sarah Ying (CIBC)
Umar Faruqui (Bank of Canada)
Youming Liu (Bank of Canada)

The meeting was conducted in-person with a virtual option.

1 Adoption of Agenda

The co-chair welcomed members and thanked CIBC for hosting the meeting. He welcomed three new members to the Committee. Robert Palladino, Head of North American FX Spot Trading is the representative from JP Morgan Chase, which was added as a new CFEC member institution. Daniel Mazza, Head of North American FX trading at State Street, is replacing Gaétan Reid, who recently retired. Timothy De Leon, a Principal in the Global Trading team at Ontario Teachers' Pension Plan, is replacing Ivan Pelipenko.

The Committee adopted the agenda as written.

2 Summary of GFXC meeting

The CFEC Secretary summarized the key takeaways from the July GFXC in Singapore on July 3rd and 4th. He noted that the GFXC meeting agenda covered a variety of topics. Promoting adherence to the Code continues to be a priority for the GFXC. In this context, the Motivation for Adherence Working Group presented updates on on-going initiatives to raise awareness and adoption of the Code. In addition, there was a panel discussion with the GFMA, ACI FMA, and CFA Institute which also explored various strategies to promote Code education and adherence. The co-chairs of the FX Settlement Risk Working Group and the FX Data Working Group updated the Committee on the work their respective working groups have accomplished and planned for the rest of the year.

Other topics discussed at the meeting included Stablecoins, FX market liquidity, and a market update from local FX committees. The [minutes of the GFXC meeting](#) are available on the GFXC website.

3 Update on IOSCO pre-hedging consultation

A representative from the Bank of Canada updated CFEC on IOSCO's pre-hedging consultation process, noting that the final high-level guidance is expected to be released in November. The guidance will cover fixed income, commodities, currency and derivatives markets. He reminded members that IOSCO's guidance is meant for local securities regulators, and it will be up to the local regulatory bodies to determine how the guidelines will be implemented in their respective jurisdictions.

4 Implications of stablecoins on financial markets

Alex Saunders, Head of the Quantitative Global Macro and Asset Allocation team at Citibank, presented their perspectives on the use-cases and adoption of stablecoins. He noted that the market capitalization of stablecoins has grown rapidly in the last few years and that this is likely to accelerate following the recent passage of the GENIUS Act in the US. Adoption has grown across both developing and emerging economies, although it tends to be higher in countries with fragile institutions and high inflation. Currently, the main use-case for stablecoins is as an on-ramp and off-ramp for investors into the crypto ecosystem. He expects commercial and institutional adoption for payments or tokenization of assets will grow in the future.

He highlighted that although stablecoins are expected to be a growing source of US T-bill demand, estimates vary widely and this might merely replace demand from existing T-bill holdings, such as money market mutual funds. As a result, the net increase in the demand for T-bills may not be as large as some expect. Finally, he believes that although US dollar stablecoins dominate the ecosystem, the US dollar's role as the global reserve currency will determine whether this trend will continue. Indeed, while still small, EUR stablecoins have

seen an increase in market capitalization as some global investors have started to question the US dollar's status as the dominant reserve currency.

A representative from the Bank of Canada provided an overview of the key benefits and challenges of stablecoins, and the main policy considerations for stablecoin regulation. He noted that while stablecoins could drive innovations and competition, the positive impacts in the future are uncertain and depend on issues such as interoperability across ledgers, and fees. Stablecoin regulation in Canada falls under the provincial regulator's jurisdiction. However, a federal regulatory framework is being considered. The key policy challenges facing regulators are risk management considerations, integrity (e.g. Anti-Money Laundering), regulation of fees, and interoperability between different ledgers. Further research is needed in the areas of financial stability, monetary policy, and access and competition.

5 FX market outlook

Sarah Ying, Head of FX strategy at CIBC Capital Markets, presented her outlook for exchange rates and provided an overview of recent FX hedging trends. She expects the US dollar will depreciate further, driven by the divergence in the expected path of interest rates in the US and other major jurisdictions. The Federal Reserve has only just started lowering rates and will likely cut rates further as the US labour market slows, and the full effects of the US tariffs are felt later in 2025 and 2026. In contrast, most other developed market central banks are late into their easing cycles or in fact, are expected to raise rates. The main downside risks to her outlook for a weaker US dollar are (i) a weaker labour market could result in additional rates cuts being priced in for the Federal Reserve; (ii) loss of central bank independence in the US; and (iii) better-than-expected economic data outside the US.

Ms. Ying expects the Canadian dollar to appreciate modestly against the US dollar by the end of the year and into next year. Financial markets are already beginning to price in rate increases by the Bank of Canada in the second half of 2026. This is in contrast to the Federal Reserve, which is expected to lower rates even after the Bank of Canada is expected to resume raising rates. The main downside risk to the Canadian dollar is if concerns over USMCA negotiations cause business investment to stall, causing the Bank of Canada to cut rates by more than markets expect.

Ms. Ying presented her analysis on FX hedging trends of the large Canadian pension funds. She emphasized that some of the very large pension funds do not actively change their hedging strategies. Looking at the hedging activity of those pension funds with more discretionary hedging programs is more important to assess the potential impact of hedging flows on the Canadian dollar.

6 Update on renewing Statement of Commitment (SoC)

The co-chair reminded members that the GFXC strongly encourages all market participants to renew their SoC to the FX Global Code by January 2026, one year after the triennial review

of the Code was completed. He welcomed the news that some members have already renewed their SoC. All other members reported that they are on-track to meet the deadline.

7 Other business

The co-chair reminded members that CFEC will be establishing a buy-side outreach sub-group to promote Code adherence in Canada. The Secretariat will reach out to a few individuals to see if they are interested in participating in the sub-group.

The next CFEC meeting will be a virtual meeting on November 13th. The December GFXC meeting (virtual) will be December 4-5.