

Minutes of the Canadian Foreign Exchange Committee Meeting

12:00 – 14:00

March 2, 2026

BMO Capital Markets

BMO Capital Markets hosted the meeting.

1 Introduction

The co-chair welcomed members and thanked BMO Capital Markets for hosting the meeting.

2 The use of Artificial Intelligence (AI) in FX markets

Jeremy Smart, Global Head of Distribution at XTX Markets, delivered a presentation on the use of artificial intelligence in the foreign exchange (FX) market, with particular emphasis on deep learning and machine learning. He outlined potential implications for FX market making and noted that AI is influencing market evolution by changing the structure of market-making activity. He observed that developing deep-learning models requires substantial computing power and investment, which may represent a significant barrier to entry and could contribute to further bifurcation between primary and secondary market activity. He suggested that firms that are able to deploy deep-learning models may come to dominate the primary market; however, this concentration could increase the risk of market fragility if only a limited number of participants can compete effectively. He added that the secondary and bilateral markets are likely to remain dominated by banks and brokers, given the importance of credit provision, research, and balance-sheet funding. Finally, he noted that there is risk that deep-learning models could potentially “learn” trading practices that may be profitable but are inconsistent with the FX Global Code. He emphasized the need therefore for effective trading controls to ensure that practices inconsistent with the Code are avoided.

3 FX market outlook

Mark McCormick, Chief FX Strategist at BMO Capital Markets, presented his views on the FX markets. He noted that the FX regime appears to be shifting back in favour of a strengthening of the U.S. dollar, driven primarily by macroeconomic and risk dynamics. Given strong economic growth and somewhat elevated inflation, he believes that the Federal Reserve is unlikely to lower interest rates in the near term, which should support the U.S. dollar. He added that higher interest rates also reduce the attractiveness of hedging U.S. dollar assets for international investors, further supporting U.S. dollar resilience. In addition to these supportive macroeconomic conditions, he noted that global risk sentiment has been deteriorating, and that an interaction with an oil shock could be particularly challenging for

global growth and risk assets. In this context, he indicated that the U.S. dollar and gold are likely to remain preferred safe haven assets. Finally, he observed that market positioning in the U.S. dollar is relatively neutral and that investors may be underpriced for a positive U.S. dollar pivot.

He further suggested that the Canadian dollar could weaken against the U.S. dollar. He noted that low interest rates and low volatility have positioned the Canadian dollar as a funding currency for carry trades. In addition, weaker economic growth and ongoing uncertainty surrounding international trade may place downward pressure on the Canadian dollar. He added that the Canadian dollar appears less sensitive to oil prices than during past oil shocks, which may limit any support from higher oil prices associated with the developing conflict in the Middle East.

4 Update from the Global Financial Markets Association (GFMA)

Ms. Janet Dawson, Managing Director, Global FX Division (GFXD), GFMA, provided an update on the association's work related to FX markets. She provided an overview of the GFMA's 2025 report on the Future of FX. The report indicates that market participants expect significant transformation in FX market structure, driven primarily by the 1) adoption of new technologies such as AI and blockchain, and 2) client demand, which are expected to have the greatest impact over the next three to five years. The report also notes that geopolitics and regulatory developments are also key drivers of change. Finally, the report highlights increasing cost pressures on banks' FX businesses that are causing structural challenges to banks' client service models.

Ms. Dawson noted that the GFXD has published a white paper "[Optimising the Trade Allocation Process](#)." The paper reviews the FX trade allocation process and identifies several inefficiencies that may contribute to market fragility and heightened risks, including settlement, compliance, credit, capital, operational, and market risks. It also sets out recommendations to reduce risks associated with post-trade notification of allocations.

5 GFXC technology and innovation working group

Manuel Mondedeu, Co-Vice Chair of the GFXC and co-chair of the GFXC's "Technology and Innovation" working group, provided an update on the group's mandate and initial activities. He noted that the working group is being co-chaired by Ernest Ho from the Hong Kong Monetary Authority and includes 18 members. The objective of the working group is to ensure that the GFXC remains informed of emerging trends in FX technology and their potential implications for market structure and operational practices. Current areas of focus include AI and atomic settlement, as well as digital assets, particularly stablecoins, CBDCs, and tokenized assets.

6 Other business

The co-chair informed members that the CFEC co-chairs have engaged with the Canadian Bond Investors Association and the Canadian Treasurers Association to discuss partnership

opportunities aimed at raising awareness and adoption of the FX Global Code among their members. The next CFEC meeting will take place on May 21st in Toronto.

Meeting participants:**CFEC members:**

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)
JP Blais (BMO Capital Markets)
Lorne Gavsie (CI Global Asset Management)
Timothy De Leon (OTPP)
Dan Mazza (State Street)
Greg Debieenne (TD Securities)
Rob Palladino (JP Morgan Chase)
Audra Scharf (LSEG)
Martin Legault (National Bank Financial)
Zahir Antia (Bank of Canada, Secretary)

Substitutes:

Tony Kim (RBC Capital Markets)
Sebastian Sierotnik (CME Group)

External speakers:

Jeremy Smart (XTX Markets)
Janet Dawson (GFMA)
Mark McCormick (BMO Capital Markets)