

Canadian Foreign Exchange Committee Report on Activities 2014

The Canadian Foreign Exchange Committee (CFEC) is composed of senior officers from financial institutions actively involved in Canada's foreign exchange market and the Canadian dollar market globally, as well as inter-dealer brokers, the Bank of Canada and the Department of Finance (see Membership list attached). A regularly updated membership list can be found at <http://www.cfec.ca/members.html>

CFEC's objective is to provide a forum for the regular discussion of issues and developments pertinent to the foreign exchange market, including the review of market practices and procedures (see the Document of Objectives and Organization at the following link http://www.cfec.ca/doc_org_cfec.html).

In 2014, CFEC continued to monitor developments in the FX market, including infrastructure developments and the global financial system reform agenda as it relates to the FX market. In relation to the latter, toward the end of the year the Financial Stability Board's Foreign Exchange Benchmarks report was published. The Committee also continued its co-operation with other FX committees globally, including work on expanding the joint global preamble that was released in 2013. CFEC also undertook a review of the reporting basis in its semi-annual FX volume survey. These priorities and other activities of the Committee are expanded upon in the sections below.

Infrastructure Developments

CFEC bank members were actively engaged with CLS Bank, other U.S. banks on the New York Foreign Exchange Committee, the Bank of Canada and the New York Federal Reserve to introduce a same-day settlement cycle in CLS for same-day USD-CAD trades. In September 2013, nine banks went live and another eight banks followed in 2014. At the September 2014 meeting, a representative of CLS Bank provided an update on the same-day settlement cycle for USD-CAD and other initiatives at CLS. In addition, the results from CLS Bank's first settlement methods survey that was undertaken during April 2013 were presented.

In 2014, the committee also received regular updates on the effort to establish Canada as a trading hub for the Renminbi (RMB).

Liaison with Other FX Committees

Since 2006, representatives from the FX committees in London, New York, Frankfurt, Tokyo, Singapore, Hong Kong, Australia and Canada have met periodically to exchange views on trends and developments in FX markets, to promote collaboration among the

respective committees, and to share perspectives of common interest on the structure and functioning of the FX market, which is by nature global. The 2014 meeting was held in Sydney, hosted by the Reserve Bank of Australia.¹ At this April meeting,² topics included changes in market structure, trade reporting, FX reference rates, codes of conduct and the market implication of SEF (swap execution facility) regulations. The minutes of this meeting can be found at <http://www.cfec.ca/minutes.html>

With respect to codes of conduct, as was agreed at the last global meeting, in 2014 a Working Group was formed to expand on the first bullet (“develop and promote a strong culture of ethical behavior and standards of conduct”) contained in the joint preamble (*Codes of Best Market Practice and Shared Global Principles* <http://www.cfec.ca/files/code-best-market-practice.pdf>) that was issued by the eight FX committees including CFEC in May 2013. The eight committees are actively involved in contributing to this work, with a final draft to be discussed and approved at the next global meeting in 2015.

Review of the Reporting Basis for the FX Volume Survey

The Committee and a Working Group reviewed the basis for reporting (and other aspects) of CFEC’s semi-annual FX volume survey. Currently the survey is undertaken on the basis of the trading desk (in Canada). Most of the other FX committees with volume surveys undertake their surveys on that basis as well. However, beginning with the April 2015 reporting period, CFEC will undertake its survey on the basis of the sales desk (in Canada), the same methodology used in the BIS triennial survey of FX and derivatives markets. In the case of Canada, this will improve the market coverage of the survey by allowing other banks that have sales desk in Canada, but not trading desks, to participate in the survey.

In addition, as recommended by the Working Group, the Committee decided to include in the survey a local (inside Canada)/cross-border (outside Canada) breakdown for the two client counterparty categories “other financial institutions” and “non-financial customers”. This change will also begin with the April 2015 reporting period.

Update on Regular Activities

The latest CFEC semi-annual (for April and October) FX volume survey is published at http://www.cfec.ca/fx_volume.html In April 2015, two changes will be made to the survey, as described in the section above.

¹ Previous meetings had been hosted by the Federal Reserve Bank of New York in New York in October 2006, the Bank of England in London in April 2008, the Monetary Authority of Singapore in Singapore in December 2009, the Bank of Canada in Ottawa in April 2011, the European Central Bank in Frankfurt in March 2012, and the Hong Kong Monetary Authority in March 2013.

² CFEC was represented by Paul Chilcott, C.J. Gavsie, Harri Vikstedt and Rob Ogradnick.

CFEC member banks participated in the Bank of Canada's 2014 qualitative survey of the Canadian FX hedging practices of their corporate and institutional customers. The results of the survey were published in November at <http://www.cfec.ca/announce.html>

With one late-in-the-year meeting having been held in December 2013, CFEC convened two times in 2014, with meetings hosted at the offices of HSBC Bank Canada and TD Securities in Toronto. Details of each meeting can be found at <http://www.cfec.ca/minutes.html>

Report on Activities

CFEC issues this Report on an annual basis to publicly communicate the Committee's activities and membership. Throughout the year, updates on the activities of the Committee can be found on CFEC's website (www.cfec.ca) under the links to either the Announcements of the Committee or the Minutes of meetings. The website also contains an up-to-date membership list, information on FX volumes and rates, articles of interest to the foreign exchange community and links to the websites of other foreign exchange committees and organizations.

There were two membership changes on CFEC in 2014. Paul Chilcott from the Bank of Canada was elected as Chair, replacing Donna Howard at the beginning of 2014. Also, Jeff Feig from Citigroup stepped down from the Committee and Andrew Grosso is now the acting member. The Membership Subcommittee will be meeting in 2015 to consider a number of membership changes for the Committee, including buy side representation.

The contributions of those who have left the Committee over the past year, as well as those on CFEC, its subcommittees and working groups, are greatly appreciated.

Paul Chilcott
Chair
Canadian Foreign Exchange Committee
2014 Report on Activities

**Canadian Foreign Exchange Committee
Membership, December 2014**

Paul Chilcott, Chief, Financial Markets Department (Chair)
Bank of Canada, Ottawa

Harry Culham, Group Co-Head Wholesale Banking
CIBC World Markets, Toronto

Laurent Ferreira, EVP & Managing Director - Derivatives
National Bank of Canada, Montreal

C.J. Gavsie, Managing Director, Global Head of Foreign Exchange Products
BMO Capital Markets, Toronto

John Glover, Managing Director
Barclay's Capital, Toronto

Andrew Grosso, Managing Director (acting member)
Citigroup, New York

Michele Hardeman, Managing Director, Head of FX Sales for the Americas
State Street Global Markets, Boston

Jason Henderson, EVP and Managing Director, Treasurer and Head of Global Markets
HSBC Bank Canada, Toronto

Adam Howard, President and Country Head
Bank of America Merrill Lynch Canada, Toronto

Moti Jungreis, Vice Chair & Executive Vice President, Head of Global Rates and FX
The Toronto-Dominion Bank, Toronto

Russell Lascala, Global Head of Spot Foreign Exchange
Deutsche Bank, London

Clifton Lee-Sing, Chief, Reserves and Risk Management
Department of Finance, Ottawa

Jack Linker, Director
Thomson Reuters America, New York

Gil Mandelzis, Chief Executive Officer, EBS
EBS Dealing Resources, New York

Ed Monaghan, Global Head of Foreign Exchange
RBC Capital Markets, London

Barry Wainstein, Vice Chairman & Deputy Head, Global Head of Foreign Exchange,
Precious and Base Metals
Scotiabank, Toronto

Rob Ogrodnick, Senior Analyst (Secretary)
Bank of Canada, Toronto