

CANADIAN FOREIGN EXCHANGE COMMITTEE

Report on Activities

2005

Canadian Foreign Exchange Committee

Report on Activities

2005

The Canadian Foreign Exchange Committee (CFEC) is composed of senior representatives from financial institutions actively involved in the foreign exchange market in Canada and the U.S. dollar/Canadian dollar market globally (see membership list on page 8). Formed in 1989, its objective is to provide a forum for the regular discussion of issues and developments pertinent to the foreign exchange market. This includes the review of market practices and procedures, and the promotion of professionalism and integrity in the industry. It also serves as a channel of communication between the foreign exchange market in Canada and other organizations and official institutions, both within Canada and abroad.¹

Market Developments and Policy Issues

One of the issues discussed by the CFEC in 2005 was the foreign exchange hedging activity of Canadian corporations. The results of a survey of banks conducted by the Bank of Canada at the end of 2004 were discussed at the February meeting of the Committee and were also released publicly in summary form on the Bank of Canada website (www.bankofcanada.ca) under Notices and Announcements. A similar survey was undertaken again at the end of 2005.

The CFEC also strengthened its international linkages during the year. Paul Fisher and Sumita Ghosh of the Bank of England, the Chair and Secretary respectively of the London Foreign Exchange Joint Standing Committee (FXJSC), were guests at the February meeting. They provided an update on the projects the FXJSC has focused on over the past few years. As well, the Chair of the CFEC attended a meeting of the New York Foreign Exchange Committee and the Treasury Markets Forum of Hong Kong. In general, it is felt that the liaison and contact between the various foreign exchange committees globally is a positive development for the work of the committees.

The CFEC members take turns hosting a lunch before or a dinner after the meeting in which a speaker is invited to give his/her views on a topic of interest to the Committee. At its June meeting in Montreal, the National Bank of Canada hosted a lunch and

¹The full document of Objectives and Organization, which was originally developed by the Committee in 1990, and was most recently revised in May 2003, can be found on pages 10-11.

Clement Gignac, the Chief Economist at that financial institution, presented his outlook for the Canadian and U.S. economies and currencies.

Canadian Committee for Professionalism

The Canadian Committee for Professionalism (CCFP), which is sponsored jointly by the CFEC and the Financial Markets Association of Canada (FMAC), was inaugurated in 1993. This independent Committee reports regularly to the CFEC, and its guiding mission is to promote a high standard of professionalism and ethical conduct in the Canadian foreign exchange market. The Document of Organization for the CCFP, which can be found on pages 12-13 of this Report, was last updated in January 2001. The CCFP met regularly in 2005 and has been active in promoting its objectives in conjunction with the CFEC. A list of the members can be found on page 9.

Another objective of the CCFP is to arbitrate disputes, upon request, between two or more counterparties. While it is only on rare occasions that the CCFP has received any formal request for arbitration, the Committee has provided advice and direction on issues related to best market practices.

ACI Model Code

In 2001 the CFEC, along with the CCFP and the FMAC, adopted the *ACI Model Code* as the standard for best market practices in the Canadian foreign exchange market. This Code replaced guidelines that were previously revised in 1997. The Model Code was first published in the year 2000 by ACI - The Financial Markets Association, the global umbrella organization of foreign exchange associations. It combined the recommendations for six pre-existing codes of conduct (those of New York, London, France, Singapore, Tokyo and the original ACI Code). The Code is kept current through updates that result from the regular review of the Code by the ACI Committee for Professionalism, a committee which includes Canadian representation (currently Lynn Kennedy, who is also on the CCFP). A link to the latest version of the *ACI Model Code* can be found at the CFEC website (www.cfec.ca) under Announcements.

Minimum Standard of Knowledge Best Practice

In November, the CFEC, CCFP and FMAC sent to the Human Resource Departments of the CFEC member banks a letter which recommends, as a best practice, a minimum standard of knowledge equivalent to the information contained in the ACI Dealing Certificate for all personnel involved in trading and sales in the foreign exchange market in Canada. All personnel involved in foreign exchange are encouraged to take the ACI Dealing Certificate, and those who do not have the minimum standard of knowledge contained in the Certificate should be required to take it or some other course(s) that

cover, at a minimum, the same material. The one-page minimum standard of knowledge best practice letter is appended to this Report and the letter with additional information on the ACI Dealing Certificate attached has been posted on the CFEC website (www.cfec.ca) under Announcements.

Bank of Canada Noon Rate Setting

At the February meeting of the CFEC, a member requested that the Bank of Canada, in consultation with the CCFP, review both the procedure for calculating and the timing of the release of the Bank of Canada's setting of noon exchange rates. The concerns of market participants related to the period of time over which the average was calculated and the timeliness with which the rate was publicly released to the market. The Bank of Canada committed to a review that would be guided by three key principles, namely that the rate setting should be: representative of foreign exchange trading levels prevailing at the time; resistant to influence or manipulation by market participants; and released in a timely manner. Some participants felt that the longer the period of time, or window, used to set the rate, the greater the variability or range of rates that could result.

After reviewing a range of options, the Bank of Canada introduced a two-minute averaging window (from 11:59 a.m. to 12:01 p.m.) for the US\$/Can\$ bilateral exchange rate. This rate is made publicly available shortly after 12:01 p.m. through the Bank of Canada's pages on the Bloomberg (BOFC5), Bridge (3194) and Reuters (BOFC) news services. Other indicative exchange rate pairs involving the Canadian dollar are released a little later on these news services and on the Bank of Canada website (www.bankofcanada.ca).

These changes are being implemented on a six-month trial basis starting on November 7th, thereby allowing the Bank of Canada to assess whether further refinements are required to ensure these rates remain an accurate reflection of mid-day rates in wholesale markets. As noted on the Bank of Canada website, these exchange rates are nominal quotations – not buying or selling rates – and are intended for statistical or analytical purposes. Although obtained from sources believed to be reliable, the data are for informational purposes only, and the Bank of Canada does not guarantee their accuracy or completeness.

Operations Managers Working Group

The Operations Managers Working Group (OMWG) was established in 2003 and held its inaugural meeting in September of that year. The purpose of this group is to focus on operational issues such as delivery or settlement problems, confirmation procedures and best practices, business continuity planning, SWIFT messaging issues,

increased straight through processing and electronic confirmations etc. A list of the members can be found on page 9.

In 2004, the Canadian OMWG endorsed two best practices documents that were published by the New York Foreign Exchange Committee. The first publication, *Management of Operational Risk in Foreign Exchange*, recommends 60 best practices for firms to use as a resource or checklist for when they regularly evaluate their policies and procedures to manage operational risk. The second publication, *Recommendations for Nondealer Participants*, is a condensed version of the 60 best practices that is geared towards nondealer participants who, while perhaps not as active in foreign exchange, could benefit from the recommendations. A link to these documents can be found on the CFEC website (www.cfec.ca) under Announcements.

In April, some of the members of the OMWG attended the second global conference and meeting of foreign exchange operations managers that was hosted by the operations group of the London Foreign Exchange Joint Standing Committee (FXJSC) and the Bank of England. The slide presentations from, and a relatively short summary of, the conference has been posted on the Bank of England website at www.bankofengland.co.uk/markets/forex/fxjsc/GOM_conference.htm.

In October, Linda Dunne who is the Chair of the New York OMWG attended a meeting of the Canadian operations group. She spoke about past and upcoming projects of the New York operations managers and looked forward to increased cooperation between the two groups.

Market Statistics

2007 Triennial Survey

Preliminary work has already begun on the next triennial central bank survey of foreign exchange and derivatives market activity that will be conducted during the month of April 2007 for turnover data and as of June 30, 2007 for amounts outstanding. In particular, the CFEC and the Bank of Canada are working with the Bank for International Settlements (BIS) and other participating countries to refine the reporting guidelines and clarify reporting procedures.

Regular Derivatives Market Statistics

Statistics on derivatives markets from approximately 60 major global dealers in the Group of 10 (G10) countries are collected regularly. This was originally a proposal of the Euro-currency Standing Committee of the BIS and was approved by the governors of the central banks of the G10 countries in January 1997. Three Canadian financial

institutions are participating in this reporting, and consolidated amounts outstanding were collected for the first time as of 30 June 1998 and have been collected every six months thereafter. The data collected covers foreign exchange, interest rate, equity and commodity derivatives. The BIS issues a press release with the aggregated global summary results of this survey after each reporting date. Credit defaults swaps were recently added to the statistics collected, with a first reporting date of 31 December 2004.

CFEC Semi-annual Foreign Exchange Volume Survey

In October of this year, the daily/weekly report to the Bank of Canada on foreign exchange volumes was replaced by a semi-annual survey (during the months of October and April). The new report is similar in nature to, but not directly comparable with, the BIS triennial survey. Up until the end of September, the data in the daily and weekly reports were aggregated by the Bank of Canada and distributed to the participants each month in the form of market totals. Tables of selective summary data from these series for spot, outright forward and foreign exchange swap transactions covering the final reporting period are appended.

The new semi-annual survey is more comprehensive in that it includes other currency pairs in addition to US\$/Can\$. As well, it has a new table on the method of execution for foreign exchange trades, and different counterparty definitions similar to those in the triennial survey. It includes only the larger participants in the Canadian foreign exchange market, but their volume still represents around 95 percent of the total market. A number of other jurisdictions, including New York, London, Tokyo and Singapore, have adopted similar surveys. The Canadian semi-annual data are made available on the CFEC's website (www.cfec.ca) and the October 2005 data have been appended to this Report.

IFXCO, IFEMA and ICOM Master Agreements

Over the last few years the CFEC has, in conjunction with the Foreign Exchange Committee of New York, the British Bankers' Association and the Tokyo Foreign Exchange Market Practices Committee, sponsored work on three Master Agreements: the International Foreign Exchange Master Agreement (IFEMA), the International Currency Options Market Master Agreement (ICOM), and the International Foreign Exchange and Options Master Agreement (FEOMA). In 1997, the CFEC, along with the above-noted committees, obtained legal opinions as to the enforceability and validity of the netting provisions of the updated IFEMA, ICOM and FEOMA Master Agreements in various jurisdictions including Canada. An update on the legal opinion is obtained each year. In 2004, the CFEC agreed to co-sponsor an updated master agreement known as the International Foreign Exchange and Currency Option (IFXCO) Master Agreement.

IFXCO is based on the 1997 FEOMA agreement. Like FEOMA, IFXCO covers spot and forward foreign exchange transactions and currency options.

Business Continuity Planning

While each financial institution undertakes its own business continuity planning which includes having back-up systems and off-site facilities, there is an interest to also ensure that system-wide business continuity arrangements are in place. Following a review of the experience in the wake of the September 11, 2001 terrorist attacks, the CFEC compiled a contact list for the Canadian foreign exchange market. The intention of the list, which is updated regularly (most recently in December 2005), is to give participants in the foreign exchange market the means to contact one another in the event of an emergency if the normal channels of communication are not working.

Organization and Membership

The CFEC issues this Report on an annual basis to inform financial institutions that are active in the foreign exchange market about the Committee's activities and membership. Over the course of the year, updates on the activities of the Committee can be found on the 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 foreign exchange volumes and rates, articles of interest to the foreign exchange community and links to the websites of other foreign exchange committees and organizations.

In 2005, a small group (consisting of Susan Gammage, Rob Ogrodnick and Jamie Thorsen) was formed to review, and provide recommendations to enhance, the CFEC's communications strategy. The communications objective of the CFEC is to inform people about the work of the Committee as well as to promote key best practices documents that have been adopted for Canada such as the *ACI Model Code* and the New York Foreign Exchange Committee's *Management of Operational Risk in Foreign Exchange*.

Some of the recommendations that have been approved and are currently being adopted include the creation of an email alert function for the CFEC website, encouraging financial institutions to include a link to the CFEC website on their individual firm's website, and developing contacts with various industry associations to keep them better informed about the work of the CFEC. Contact with, and the exchange of ideas between, the CFEC and other foreign exchange committees globally will be encouraged by inviting the Chairs/Secretaries of other committees to attend CFEC meetings from time to time. As well, the Membership Subcommittee of the CFEC will

attempt to ensure that at least one member on the CFEC is also a member of the major foreign exchange committees globally.

There were a number of membership changes on the Committee in 2005. Moti Jungreis from TD Securities replaced Cliff Feehan, Richard Audet from Société Générale replaced Bernard Vives, and George Pickering from the Bank of Canada replaced Sheryl Kennedy. As well, Tim Miles at Garban Intercapital took over from Dan Gandy at Freedom International Brokerage as the voice broker representative, and at the end of the year Russell Lascala from Deutsche Bank was invited on to the Committee as the second non-resident participant. Finally, early in 2006, Harry Samuel from RBC Capital Markets replaced John Aloisio.

After moving on to other responsibilities at the Bank of Canada, Sheryl Kennedy stepped down after chairing the CFEC for four years. The Committee is indebted to her leadership and support over this period. George Pickering was nominated and appointed as the new Chair in September.

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

George Pickering
Chair

Canadian Foreign Exchange Committee
Report on Activities
2005

**Canadian Foreign Exchange Committee
Membership, January 2006**

George Pickering, Adviser (Chair)
Bank of Canada, Ottawa

Richard Audet, Managing Director & Treasurer
Société Générale Securities, Montreal

Vincent Butkiewicz, Vice President
National Bank of Canada, Montreal

Craig Ellis, Managing Director
CIBC World Markets, Toronto

Jeff Feig, Managing Director
Citigroup, New York

Susan Gammage, Executive Vice President
Reuters America Inc., New York

Sharon Grewal, Executive Director (Chair, CCFP, an ex officio post)
CIBC World Markets, Toronto

Moti Jungreis, Managing Director
TD Securities, Toronto

Russell Lascala, Managing Director
Deutsche Bank, New York

Sandra Lavoratore, Chief
Department of Finance, Ottawa

Brad Meredith, Senior Vice President
HSBC Bank Canada, Toronto

Tim Miles, Manager
Garban Intercapital, Jersey City

Carmen Perricone, Vice President (President, FMAC, an ex officio post)
State Street Canada, Toronto

Bernard Piché, Senior Executive VP & Treasurer
Laurentian Bank, Montreal

Harry Samuel, Managing Director
RBC Capital Markets, London

Jamie Thorsen, Executive Managing Director
Bank of Montreal, Chicago

Barry Wainstein, Vice Chairman
The Bank of Nova Scotia, Toronto

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

Other Committee Members January 2006

Canadian Committee for Professionalism (CCFP)

Sharon Grewal (Chair)	CIBC World Markets
Cheryl Bell	RBC Capital Markets
Lynn Kennedy	Bank of Montreal/Nesbitt Burns
Steve Kent	TD Securities
Martin Legault	National Bank of Canada
Brendan Luxton	Bank of Nova Scotia
Brad Meredith	HSBC Bank Canada
Tim Miles	Garban Intercapital
Rob Ogrodnick	Bank of Canada
Carmen Perricone	President, FMAC
John Walks	State Street Canada

Operations Managers Working Group (OMWG)

Andrew Karsgaard (Chair)	State Street Canada
Andy Sittambalam (Vice Chair)	Scotiabank
Becky Alush	CIBC World Markets
Paul Davidson	HSBC Bank Canada
Alain DeMontigny	Bank of Montreal
Eugène Januszewski	National Bank
Sam Jeries	TD Bank Financial Group
Jean Naphine	RBC Capital Markets
André Richard	Laurentian Bank
Rob Ogrodnick (Secretary)	Bank of Canada

Membership Subcommittee

George Pickering (Chair)	Bank of Canada
Craig Ellis	CIBC World Markets
Jamie Thorsen	Bank of Montreal
Barry Wainstein	Bank of Nova Scotia

CANADIAN FOREIGN EXCHANGE COMMITTEE

Document of Objectives and Organization May 2003

I. Objectives

The objectives of the Committee are:

- to provide a forum for the regular exchange of views on foreign exchange market developments;
- to identify, analyse and comment on issues pertinent to the foreign exchange market;
- to review procedures, practices, and technical issues on the foreign exchange and related financial markets;
- to provide a channel for communication between the foreign exchange market in Canada and organizations and official institutions within Canada and abroad; and,
- to promote, to the community at large, the activities, decisions and views of the Committee, as representative of the Canadian foreign exchange market generally;

II. Organization

1. The Committee is comprised of senior officers of institutions actively participating in the Canadian foreign exchange market and the Canadian dollar market globally.
2. The composition of the Committee is to reflect the interests of the major Canadian dollar market-making institutions in Canada and such other interests of the foreign exchange community as the standing Membership Subcommittee (as described below) believes will contribute positively to the ongoing work of the Committee. It shall include one representative each from the inter-dealer voice and electronic broking communities, the Department of Finance and the Bank of Canada. The Committee may also include up to two non-resident representatives from major Canadian dollar market-making institutions based outside of Canada.
3. The President of the Financial Markets Association of Canada and the Chairperson of the Canadian Committee for Professionalism, if they are not already members in their own right, are to be non-voting, ex-officio members.

4. An officer of the Bank of Canada will serve as Secretary to the Committee.
5. The Committee will not exceed 16 voting members, excluding the Secretary. A quorum is two-thirds of voting members. Members each have one vote. The Chair votes only in the case of a tie. Members appoint substitutes, from their own organizations, to attend on their behalf on an exceptional basis. Substitutes are to be considered possible candidates for future membership.
6. Initially, one third of the members will serve a term of three years, one third for a term of two years, and a final third for one year. Thereafter, each member will normally serve for a term of three years, although membership will remain, at all times, at the pleasure of the Committee. For consistency, all terms will be deemed to end on April 30.
7. Members serve on the Committee as individuals, to reflect the broader interests of the foreign exchange market, rather than that of the firm which employs them.
8. The Chair of the Committee is elected by and from the current members of the Committee, for a term determined by the Committee. The standing Membership Subcommittee (see below) recommends appropriate candidates for this position.
9. The Committee meets three times each year, or more frequently, as required. At each meeting, the date and location of the next meeting are decided by those present.
10. A standing Membership Subcommittee, consisting of a Chairperson, who is the member from the Bank of Canada, and three other members, as determined by the full Committee, identifies and proposes individuals for membership, based on their personal stature, breadth of experience and anticipated ability to contribute to the work of the Committee. The three other member positions serve a term of three years, with each one expiring in a different year on April 30.
11. The Committee may form ad hoc subcommittees, chaired by any of its members, to study specific issues. Outside participants may be invited to serve on such subcommittees.
12. The Committee will issue an Annual Report of its Activities, to be sent to all financial institutions in Canada known to be active in the foreign exchange market, informing them of the Committee's activities and membership.
13. The Secretary prepares and circulates a notice and the minutes of each meeting to all members and their substitutes.

CANADIAN COMMITTEE FOR PROFESSIONALISM
Document of Organization
January 2001

The Canadian Foreign Exchange Committee (CFEC) and the Financial Markets Association of Canada (FMAC) are joint sponsors of an independent Canadian Committee for Professionalism (CCFP), formed in 1993.

Mission Statement:

To promote a high standard of professionalism and ethical conduct in the Canadian foreign exchange markets.

Objectives:

1. To *advocate* the continuing improvement of market practices to enhance the self-regulatory nature of the foreign exchange markets in Canada.
2. To provide *educational* vehicles which foster the understanding of the foreign exchange markets and related financial markets, in practice and theory.
3. To *arbitrate* disputes, upon request, between two or more members of the community or the institutions they represent.
4. To *communicate* with foreign exchange market professionals, and related trade associations, on matters relating to market practices and ethical conduct.

Committee Members:

The Committee is composed of a maximum of nine individuals who will be invited to join the CCFP at the request of the CFEC and FMAC, for a term of two years, with half the sitting Committee being present making a quorum, as follows:

1. The Chairperson of the CFEC or his/her designate.
2. The President of FMAC or his/her designate.
3. One member representing each of the major Canadian dollar market-making institutions in Canada.
4. One representative each from the Montreal foreign exchange community, the inter-dealer broker association, the foreign bank sector and the Bank of Canada.

Each individual on the Committee may satisfy one or more of the above requirements. A minimum of two members on the Committee should also be sitting members on the CFEC. All the members should have a broad knowledge of the foreign exchange markets in Canada, sufficient stature in the community to engender respect, and an anticipated ability to contribute to the work of the Committee. Traditionally the past President of FMAC has been asked to chair the Committee. If that is not possible, the Committee will select a Chairperson from its membership.

Committee Procedures:

1. The Committee will meet at the Chair's request. The format of the meeting will be informal, and the Committee will report to the CFEC on a regular basis. Any recommendation or issue paper prepared by the Committee will be presented for discussion at the CFEC before distribution and public disclosure.
2. The Committee will use FMAC as a vehicle to distribute information to the market.

THE CANADIAN FOREIGN EXCHANGE COMMITTEE LE COMITÉ CANADIEN DU MARCHÉ DES CHANGES

150 King Street West
Suite 2000
Toronto, Ontario
M5H 1J9

November 15, 2005

Dear Human Resources Department,

Re: Recommended Minimum Standard of Knowledge for all Personnel Involved in Trading and Sales in the Canadian Foreign Exchange Marketplace

The Canadian Foreign Exchange Committee (CFEC), along with the Canadian Committee for Professionalism (CCFP) and the Financial Markets Association of Canada (FMAC) recommend and communicate best market practices for the Canadian foreign exchange marketplace. The objective of our recommendations is to ensure that the self-regulated Canadian foreign exchange marketplace functions smoothly and with a high degree of professionalism and integrity.

We believe that a key contributor to well functioning professional markets is ensuring that all participants have a sound knowledge of financial markets, including dealing protocol, market terminology, product characteristics (including risk and valuation), and permissible activities. As such, we are recommending that as a best practice, all participants in the Canadian foreign exchange marketplace have a minimum standard of knowledge that is equivalent to the information contained in the ACI Dealing Certificate module. The ACI Dealing Certificate is an educational course offered by ACI-The Financial Markets Association. The courses are developed by global financial markets professionals, supported by an academic partner, University of Reading in London England, and delivered electronically through Prometric testing centres around the globe. More information on ACI-The Financial Markets Association, the Dealing Certificate syllabus and other ACI courses can be found in the Appendix to this letter. All personnel involved in foreign exchange are encouraged to take the ACI Dealing Certificate, and those who do not have the minimum standard of knowledge contained in the Certificate should be required to take it or some other course(s) that cover, at a minimum, the same material.

Further information on implementing this recommended best practice can be obtained by contacting either the Chair of the CCFP, Sharon Grewal, at (416) 594-7686 or the Secretary of the CFEC, Rob Ogrodnick, at (416) 542-1339.

Sincerely,

George Pickering
Chair, CFEC

Sharon Grewal
Chair, CCFP

Carmen Perricone
President, FMAC

Table 1
Selected Monthly Canadian Dollar Foreign Exchange Market Volumes
C\$ Billions, Jan/00-Sept/05
Outright Spot Transactions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% Chge
Commercial Clients														
05	40	38	44	45	44	52	40	45	46					
04	41	37	45	43	43	42	39	35	41	40	46	49	502	-5
03	44	44	47	47	50	45	45	35	44	44	39	44	527	3
02	42	34	46	45	43	40	50	39	42	48	41	42	514	-3
01	47	45	51	44	44	51	43	40	43	43	41	36	528	-3
00	44	41	50	45	42	50	42	44	43	47	47	47	543	19
Foreign-Domiciled Financial Institutions and Investment Flow Business														
05	109	92	113	102	89	104	95	112	115					
04	116	109	129	122	110	107	97	96	112	103	115	133	1349	-4
03	108	102	116	114	124	124	144	103	116	121	113	117	1403	20
02	103	84	97	92	102	98	120	89	93	117	88	83	1166	13
01	95	90	103	93	83	100	81	79	67	84	90	71	1035	1
00	81	92	102	77	88	84	74	82	79	102	85	76	1022	-3
Total Retail²														
05	160	142	169	159	143	167	144	166	169					
04	166	156	184	175	165	160	145	140	168	152	171	195	1974	-3
03	162	154	172	169	183	180	200	148	171	174	161	171	2045	14
02	155	126	152	147	154	147	181	137	144	176	136	134	1789	6
01	155	146	168	148	136	161	133	127	118	137	140	116	1683	-1
00	136	147	167	133	139	144	126	134	132	161	141	135	1695	4

² Total Retail includes commercial clients, Canadian-domiciled investment flow business, and foreign-domiciled financial institutions and investment flow business.

Table 2
Selected Monthly Canadian Dollar Foreign Exchange Market Volumes
C\$ Billions, Jan/00-Sept/05
Outright Forward Transactions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	%Chge
Commercial Clients														
05	25	24	36	25	24	27	23	28	29					
04	27	28	34	31	25	27	26	28	24	25	28	30	331	-7
03	29	32	34	27	32	27	31	21	29	28	32	33	356	21
02	26	19	23	25	28	26	30	19	22	30	23	24	295	-5
01	31	24	30	25	25	35	27	23	25	23	27	18	312	13
00	22	19	25	21	23	23	17	23	23	29	28	27	277	18
Total Retail³														
05	55	49	63	51	50	53	49	50	54					
04	48	50	58	55	50	55	46	47	50	44	57	61	622	-1
03	52	51	53	47	55	49	57	44	53	51	58	57	627	20
02	49	34	43	41	49	48	49	34	38	56	42	40	521	-9
01	59	50	54	45	43	59	43	46	41	41	52	39	572	8
00	39	39	50	42	42	43	35	39	42	55	53	50	528	10

³ Total Retail includes commercial clients, Canadian-domiciled investment flow business, and foreign-domiciled financial institutions and investment flow business.

Table 3
Selected Monthly Canadian Dollar Foreign Exchange Market Volumes
C\$ Billions, Jan/00-Sept/05
Interbank, Forward and Total Transactions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% Chge
Canadian Banks ("Interbank") - Outright Spot and Outright Forward														
05	32	30	58	30	30	33	28	40	33					
04	34	34	39	37	33	34	35	28	34	32	36	42	418	-9
03	38	37	39	37	40	39	42	32	37	40	33	45	460	-8
02	42	36	40	46	50	39	49	38	37	46	41	37	501	-7
01	58	48	60	51	42	51	37	38	36	41	47	31	541	-9
00	52	54	53	50	51	47	42	42	44	55	55	50	594	-11
Total Forwards (Foreign Exchange Swaps)														
05	483	495	604	572	518	662	575	614	708					
04	500	463	573	544	539	520	442	485	541	564	527	590	6289	-8
03	564	560	623	535	528	579	613	502	510	630	570	608	6823	6
02	541	435	493	536	527	518	623	600	543	562	565	498	6442	-1
01	583	473	616	549	562	552	494	525	542	527	527	544	6494	10
00	471	514	596	451	505	529	420	440	453	492	513	523	5908	-10
TOTAL (Outright Spot, Outright Forward and Forwards)														
05	730	716	915	812	741	915	796	870	964					
04	748	703	854	811	787	769	668	700	793	792	791	888	9303	-7
03	816	802	887	788	806	847	912	726	771	895	822	881	9955	8
02	787	631	728	770	780	752	902	809	762	840	784	709	9253	0
01	855	717	898	793	783	823	707	736	737	746	766	730	9290	6
00	698	754	866	676	737	763	623	655	671	763	762	758	8725	-7

**The Canadian Foreign Exchange Committee
Semi-annual Foreign Exchange Volume Survey
October, 2005**

February, 2006

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Table 1: Traditional foreign exchange turnover in Canada
Summary of surveys
Billions of U.S. dollars

	Traditional foreign exchange turnover				Number of business days	Average total daily turnover	Per cent change
	Spot	Outright forwards	FX swaps	Total			
Oct. 2005	261.0	81.6	667.2	1009.8	20	50.5	

Table 2: Over-the-counter (OTC) derivatives market turnover in Canada
Summary of surveys
Average daily turnover in billions of U.S. dollars

	Foreign exchange derivatives			Number of business days	Average total daily turnover	Per cent change
	Currency swaps	Options	Total			
Oct. 2005	13.0	55.2	68.2	20	3.4	

Table 3: Total reported foreign exchange turnover in Canada
Millions of U.S. dollars

Instrument and counterparty	Canadian dollar against U.S. dollar		U.S. dollar against currencies other than the Canadian dollar		Canadian dollar against currencies other than the U.S. dollar		All other currency pairs		All currencies	
	Oct-05	Per cent growth	Oct-05	Per cent growth	Oct-05	Per cent growth	Oct-05	Per cent growth	Oct-05	Per cent growth
Spot	116,167		114,221		13,930		16,642		260,960	
Reporting dealers	15,334		7,610		707		695		24,347	
Other dealers	60,568		88,045		6,576		14,478		169,667	
Other financial	17,787		13,193		3,751		1,139		35,870	
Non-financial customers	22,478		5,373		2,896		330		31,077	
Outright forwards	35,935		30,553		11,317		3,214		81,637	
Reporting dealers	479		380		88		66		1,013	
Other dealers	6,426		14,544		1,561		1,863		24,394	
Other financial	16,103		11,157		8,152		937		36,349	
Non-financial customers	12,927		4,472		2,134		348		19,881	
FX swaps	405,839		222,161		36,887		2,323		667,210	
Reporting dealers	51,066		19,336		1,283		37		71,722	
Other dealers	231,659		151,322		17,028		686		400,695	
Other financial	79,470		30,863		15,972		920		127,225	
Non-financial customers	43,643		20,641		2,604		680		67,568	
Total dealers	365,532		281,238		27,243		17,826		691,838	
Reporting	66,879		27,327		2,078		798		97,082	
Other	298,653		253,911		25,165		17,028		594,756	
Total customers	192,409		85,697		35,510		4,352		317,969	
Financial	113,360		55,212		27,876		2,995		199,444	
Non-financial	79,049		30,485		7,634		1,357		118,525	
Total turnover	557,941		366,935		62,753		22,178		1,009,808	
<i>Currency swaps</i>	7,839		3,806		561		768		12,974	
<i>OTC options</i>	34,310		17,150		2,648		1,347		55,191	

Table 4: Reported traditional foreign exchange turnover in Canada by instrument and by counterparty
Summary of surveys
 Billions of U.S. dollars (and percent shares)

	Instrument						Counterparty							
	Spot		Outright forwards		Foreign exchange swaps		Dealers				Customers			
							Reporting		Other		Financial		Non-financial	
Oct. 2005	261	(25.8)	82	(8.1)	667	(66.1)	97	(9.6)	595	(58.9)	199	(19.8)	119	(11.7)

**Table 5: Currency distribution of traditional
foreign exchange market turnover in Canada**
Summary of surveys
Percent shares

Currency	October 2005
U.S. dollar	91.6
Canadian dollar	61.5
Euro	16.7
Japanese yen	6.3
U.K. pound	5.6
Swiss franc	3.2
Australian dollar	3.3
Other currencies	11.8
All currencies[1]	200.0

(1) Since every foreign exchange transaction involves two currencies, the reporting of all currencies necessarily sums to 200 per cent.

**Table 6: Reported foreign exchange
market turnover in Canada by maturity^a**
Millions of U.S. dollars

Instrument	October 2005	
	Amount	% share
Outright forwards		
Up to 1 month	58,583	70.9
1 month to 1 year	22,251	26.9
More than 1 year	1,817	2.2
Total	82,650	100.0
Foreign exchange swaps		
Up to 1 month	592,838	80.2
1 month to 1 year	139,384	18.9
More than 1 year	6,711	0.9
Total	738,932	100.0
OTC options		
Up to 1 month	30,166	52.4
1 month to 6 months	18,777	32.6
Over 6 months	8,648	15.0
Total	57,591	100.0

a. Not adjusted for local double counting

**Table 7: Execution methods
percent shares**

Classification	Execution Methods for Dealers			Execution Methods for Customers			TOTAL
	Direct	Electronic Broking	Voice Broking	Direct	Single-bank Proprietary Platforms	Multi-bank Dealing Systems	
By Currency Pair:							
Canadian Dollar against							
USD	19	28	19	32	0	1	100
Other	22	18	0	56	1	3	100
U.S. Dollar against							
EUR	13	46	14	25	0	2	100
JPY	17	37	15	31	0	0	100
GBP	15	43	18	24	0	1	100
Total Currency Pairs	18	32	16	32	0	1	100
By Instrument:							
Spot	12	46	7	32	1	1	100
Outright forwards	13	10	2	67	0	7	100
Foreign exchange swaps	19	31	22	26	0	1	100
Cross currency swaps	41	0	7	52	0	0	100
Options	27	19	0	54	0	0	100
Total Instruments	18	32	16	32	0	1	100
By Counterparty:							
With reporting dealers	32	42	25	1	0	0	100
With other dealers	20	43	19	18	0	1	100
With other financial institutions	4	0	1	90	1	4	100
With non-financial customers	0	1	3	92	2	2	100
Total Counterparties	18	32	16	32	0	1	100