

**Minutes of the Canadian Foreign Exchange Committee
Meeting #76**

**Held at 1:15 p.m., Wednesday, 1 June 2011
Toronto**

- Present: Jean-Philippe Bégin, National Bank of Canada (substitute)
Steve Boucouvalas, HSBC Bank Canada (substitute)
Harry Culham, CIBC World Markets
Michael Gibbens, TD Securities (substitute)
Andrew Grosso, Citigroup (substitute)
Emily Jelich, RBC Capital Markets (guest)
Blake Jespersen, President – FMAC
Clifton Lee-Sing, Department of Finance
Jack Linker, Thomson Reuters America
Ed Monaghan, RBC Capital Markets
John Nixon, ICAP North America
Jason Shell, Deutsche Bank
Jamie Thorsen, BMO Capital Markets
Barry Wainstein, Scotia Capital
Donna Howard, Bank of Canada (Chair)
Harri Vikstedt, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)
- Regrets: Jeff Feig, Citigroup
Laurent Ferreira, National Bank Financial Group
Jason Henderson, HSBC Bank Canada
Mark Johnson, Chair – CCFP
Moti Jungreis, TD Securities
Rocky Zannella, Bank of America Merrill Lynch Canada (substitute)

76.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair welcomed Jean-Philippe Bégin (substituting for Laurent Ferreira) and Michael Gibbens (substituting for Moti Jungreis) to their first meeting with the Committee. Emily Jelich was also welcomed to her first meeting.

76.2 Report of the Membership Subcommittee

Donna Howard reported on the last meeting of the Membership Subcommittee (which also includes Moti Jungreis, Jamie Thorsen and Barry Wainstein), that was held on February 9th. The following decisions were taken:

- The terms of five individuals were set to expire on April 30th: Jason Henderson and Jason Shell (who were finishing the terms of Brad Meredith and Russ Lascala respectively), John Nixon, Jack Linker and Barry Wainstein. All five members were renewed for another three-year term ending on April 30th 2014. Barry abstained from the decision regarding his renewal.
- John Walks from State Street has stepped down from the Committee. The MSC is waiting for the senior management of State Street to put forward an appropriate candidate for the position.
- On the Membership Subcommittee, the term of Barry Wainstein was renewed for another three years. Barry did not participate in this decision.

Subsequent to the February 9th meeting, Lynn Patterson stepped down from the CFEC, having retired from Bank of America Merrill Lynch. It was decided that on an interim basis, until the final structure at BAML has been determined, Rocky Zannella would sit on the Committee.

76.3 Tour de table – FX, Financial Market and Economic Developments

The discussion on current financial market and economic developments are not reported in the minutes.

Global Meeting of FX Committees

The Bank of Canada and the CFEC hosted a global meeting of FX committees on April 4th in Ottawa. Donna Howard, Harry Culham, Harri Vikstedt and Rob Ogrodnick represented the CFEC. Mr. Culham reported that the key theme discussed at the meeting was the state of regulatory restructuring efforts and the development of central clearing globally, including in the U.S., Europe and Asia. Electronic trading and prime brokerage, as well as how high frequency trading is changing the FX marketplace were also discussed in detail. Additional topics included presentations and discussion on retail FX, the mid-March sell-off in dollar-yen, the development of the off-shore renminbi market, and codes of best market practice.

76.4 Codes of Best Market Practice

Prior to 2001 the Canadian FX market had its own code of best market practice, first issued by the CFEC in 1990. These guidelines were updated in 1997. CFEC, along with the CCFP and FMAC, decided to adopt the newly issued ACI Model Code (a global code that combined six pre-existing codes of conduct) in 2001 instead of updating the Canadian specific guidelines again.

As explained by Ms. Howard, the global foreign exchange committees decided at the global FX committee meeting on April 4th to undertake a comparison of the various codes of conduct to map out their differences and similarities. This was also seen as an opportune time for CFEC to assess whether the ACI Model Code is still the most appropriate code for Canada. With the global comparison feeding into the analysis (expected to be mostly completed by the end of the summer), **the CCFP and FMAC were asked to re-examine the issue of the most appropriate code of best market practices for Canada and to come back to the CFEC with a recommendation.**

76.5 Joint Meeting of Financial Markets Lawyers Groups

There are four FX committees with financial markets lawyers groups (New York, London, Europe and Tokyo) that hold an annual meeting and conference. The fifth quadrilateral meeting was held in May and Emily Jelich, who is a member of New York Financial Markets Lawyers Group, reported to the CFEC on some of the highlights of that meeting. Topics covered included regulatory initiatives in Europe and the U.S., clearing and electronic trading, sovereign debt and cross-border insolvency.

76.6 Other Business

High Frequency Trading – The rapid growth of high frequency trading (HFT) has generated heightened scrutiny and debate about the benefits and risks posed by this type of trading activity and its effect on market functioning, systemic risk and market integrity. Harri Vikstedt reported that the Markets Committee of the BIS formed a study group of individuals from central banks to undertake a fact-finding exercise on HFT in FX. The study included interviews with market contacts (FX dealing banks, prime brokers, trading platforms and HFT firms) across different financial centres.

Bank of Canada's 2011 FX Hedging Survey – Mr. Vikstedt reported that in response to CFEC member feedback from last year, this year's FX hedging survey has been divided into two sections, one specifically for corporate clients including exporters and importers, and the other for institutional clients such as

pension and other investment funds, both domestic and international. This year, there are also more specific questions on the use of options, fixings, changes in customer banking panels, and the impact of proposed global regulations. Not included this year are questions on the impact from the financial crisis and some of the questions on the use of electronic trading platforms.

The tentative time line for the survey is as follows: (1) feedback on the draft template by June 17th; (2) the surveys will be sent out to the client desks by the end of June and responses by mid-July; (3) bilateral discussions in August; (4) the responses and feedback will be discussed at the October CFEC meeting; and (5) summary results will be posted on the Bank of Canada website after the CFEC meeting. The participating banks were thanked in advance for their contribution to the annual FX hedging survey.

76.7 Next Meeting

The next meeting will be held on October 5th in Toronto.