

**Minutes of the Canadian Foreign Exchange Committee
Meeting #94**

**Held at 12:00 a.m., Thursday, 8 February 2018
Toronto**

Present: Firas Askari, BMO Capital Markets
 Steve Boecker, Magna International Inc.
 Earl Davis, Ontario Teachers' Pension Plan
 Laurent Desbois, Caisse de depot et placement du Quebec
 Dagmara Fijalkowski, RBC Global Asset Management
 Lorne Gavsie, CI Investments
 David Gary, Deutsche Bank (substitute)
 Darryl Hooker, NEX Group
 Sian Hurrell, RBC Capital Markets
 Simon Labrosse, National Bank Financial
 Arden Majewski, CIBC World Markets
 Brian Martin, Scotiabank (substitute)
 Ga etan Reid, State Street Global Markets
 Christopher Vogel, TD Securities
 Nicolas Marion, Department of Finance
 Paul Chilcott, Bank of Canada (Chair)
 Harri Vikstedt, Bank of Canada
 Zahir Antia, Bank of Canada
 Ilya Vorobyev, Bank of Canada (Secretary)

Regrets: Glenn Crotty, Bank of America Merrill Lynch
 Scott Lampard, HSBC Bank Canada

The meeting was hosted at State Street Corporation.

1 Adoption of Agenda

The Committee adopted the agenda, as written. Sian Hurrell, Christopher Vogel, David Gary, Brian Martin and Nicolas Marion attended their first meeting. The Chair also welcomed buy-side participants to the Committee for the first time, and therefore this was also the first meeting for Steve Boecker, Earl Davis, Laurent Desbois, Dagmara Fijalkowski, and Lorne Gavsie.

2 Tour de table – FX, Financial and Economic Developments

Members discussed FX market functioning and developments since the last meeting, including the effects of the implementation of MiFID II, and the outlook for 2018.

US dollar funding pressures around the year end were discussed. Members noted that the large moves in US dollar basis swaps around year-end were primarily related to bank balance sheet management (in some cases because of the potential link with G-SIB bucket determination). One member noted that signs of funding pressures were visible in other markets, including US repo.

Members cited a number of factors that could be expected to support the Canadian dollar in 2018, including synchronized global growth, potential broad US dollar weakness, and global risk-on sentiment. However, members also noted that the uncertainty around the NAFTA negotiations, the expectations of the WTI/WCS spread remaining wide, and the potential negative impact of US tax reform on investment flows could weigh on the Canadian dollar's performance.

Members discussed the impact of the recently implemented MiFID II on FX market functioning. Members noted that while FX volumes were a little lower at the start of the year, the implementation of MiFID II was relatively smooth for FX. The large share of electronic trading in FX was mentioned as one of the key reasons for a relatively smooth transition.

Members also noted that FX markets had functioned normally during the recent equity market volatility, with no exceptional liquidity or other issues observed.

3 FX Global Code update

The Chair provided members with an update on the new language for the Global Code Principle 17 that was published in December after a period of consultation. The Chair also highlighted the continuing work of the Global Foreign Exchange Committee (GFXC) with respect to the Global Code that was agreed to at the GFXC meeting in November ([minutes of the meeting](#)).

The Chair also reminded members that they are expected to sign their Statements of Commitment (SOC) within the timeline discussed at the May 2017 CFEC meeting or within one year of joining the Committee for the new buy-side members. Members also discussed the currently available SOC registers, as well as the different options for members to issue the SOC, including whether this should be done at the organization or line of business level.

4 IBOR benchmark reform

The Bank gave an update on the ongoing international work in the US, UK, Euro area and other jurisdictions to establish alternative risk-free reference rates, to operate alongside or in some circumstances to replace interbank offered rate (IBOR) benchmark rates. The Bank highlighted the potential issues with transitioning to these new benchmarks. The Committee briefly discussed the potential impact of these changes on the FX market functioning, with some members expecting the transition to be a smaller issue for the FX market than for other markets, given the short-term nature of most FX contracts. However, all agreed that this was an important issue for the FX market and that the Committee should discuss in more detail the potential market functioning issues at a future meeting.

Members were also informed of the creation of a new Canadian Fixed-Income Forum ([CFIF](#))-sponsored “term risk-free rate working group” that will work on developing a new Canadian term risk-free benchmark and examine potential enhancements to the Canadian Overnight Repo Rate Average (CORRA). The term risk-free rate would act as a complementary reference rate for the Canadian market, operating alongside the Canadian Dollar Offered Rate (CDOR).

5 Other business

It was agreed to arrange a separate meeting between the Bank of Canada and Canadian [CLS](#) members to discuss issues associated with implementation of [CLS Now](#).

Next CFEC Meeting: 22 May 2018 in Toronto.