



August 7, 2014

Financial Stability Board  
Foreign Exchange Benchmark Group  
Centralbahnpl  
Basel 4002  
Switzerland

fsb@bis.org

Dear Sirs and Mesdames:

**Re: Foreign Exchange Benchmarks Consultative Report published by the Financial Stability Board ("FSB") on July 15, 2014 (the Report")**

TD Asset Management Inc. (**TDAM**) welcomes the opportunity to provide comments to all 15 of the recommendations in your Report.

*We are encouraged by the steps proposed by FSB to improve transparency in FX markets. We would also like to stress that any proposed steps should not impede the dealers' ability to provide adequate liquidity to the market at a fair price to compensate for the risk incurred in supplying liquidity.*

Following are your recommendations and our response to each:

- 1. The group recommends the fixing window be widened from its current width of one minute. It seeks feedback from market participants as to the appropriate width of the calculation window.**

*We are in favour of a slightly wider, but not too wide a window.*

*A balanced approach should be used when considering the exact length of the window by taking into consideration several factors. Firstly, the length should not impact the buy-side's ability to access the fixing. Current operational setup and processes at buy-side firms may impede accessibility if the window is too wide.*

*Secondly, the length of the window must make it possible for dealers to replicate the fixing rate. With this in mind, a shorter window is better as it reduces currency rate exposure to systemic risks.*

*Lastly, the length should make it difficult for participants to manipulate the rate.*

*Lowering the possibility of manipulation would call for a wider window as it is more difficult to influence prices over a longer than shorter time.*

*In short, a window adjustment could have various repercussions to all parties and the FSB should be conscious of all potential issues that could arise from such a change.*

- 2. The group seeks feedback from market participants as to whether there is a need for alternative benchmark calculations (such as a volume weighted or time weighted benchmark price) calculated over longer time periods of up to and including 24 hours.**

*We prefer a new methodology. A volume weighted benchmark price calculated during the fixing window seems to offer better economic representation of the fixing flows.*

- 3. The group also seeks feedback from market participants as to whether the fixing windows should continue to be centered exactly on the hour (half hour) or whether the fixing window should close or start on the hour. Market participants should consider whether this view changes depending on the size of the window.**

*In our opinion, hourly fixings centered exactly on the hour are fine.*

- 4. The group proposes that WM investigate the feasibility of receiving price feeds and transactions data from a broader range of sources to further increase its coverage of the FX market during the fixing window, and should regularly assess its coverage as market structure continues to evolve. In that regard the group also proposes that in the short term, WM develop its methodology to utilize the transactional and quote information from both Thomson Reuters Matching and EBS, wherever both are available.**

*We agree in principle to utilize data from a broader range of sources during the fixing window.*

- 5. The group considers that, where central banks publish reference rates, it is the responsibility of each to set internal procedures. Central banks should at least take note of guidance from the IOSCO principles. However, where central bank reference rates are intended for transaction purposes, the group encourages compliance with the relevant IOSCO principles.**

*We agree.*

- 6. The group supports the development of industry-led initiatives to create independent netting and execution facilities. However, it also is interested in seeking feedback from market participants on the development of a global/central utility for order-matching to facilitate fixing orders from any market participants.**

*We agree. A central global order matching facility for market participants will greatly improve liquidity. This measure, in conjunction with a representative benchmark methodology (outlined in #2), will help achieve greater transparency in FX markets.*

- 7. The group recommends that fixing transactions be priced in a manner that is transparent and is consistent with the risk borne in accepting such transactions. This may occur via applying a bid-offer spread, as is typical in FX transactions, or through a clearly communicated and documented fee structure such as a direct fee or contractually agreed price.**

*We agree. It is our view that dealers should be fairly compensated for taking market risk when they guarantee fixing rates to their clients. We do not have a strong preference for bid-ask spread or a documented fee structure.*



8. **The group recommends that banks establish and enforce their internal guidelines and procedures for collecting and executing fixing orders including separate processes for handling such orders.**

*We agree.*

9. **Market-makers should not share information with each other about their trading positions beyond that necessary for a transaction. This covers both individual trades, and their aggregate positions.**

*We agree.*

10. **Market-makers should not pass on private information to clients or other counterparties that might enable those counterparties to anticipate the flows of other clients or counterparties, including around the fix.**

*We agree.*

11. **More broadly, the group recommends that banks establish and enforce their internal systems and controls to address potential conflicts of interest arising from managing customer flow.**

*We agree.*

12. **Codes of conduct that describe best practices for trading foreign exchange should detail more precisely and explicitly the extent to which information sharing between market-makers is or is not allowed. They also should, where appropriate, incorporate specific provisions on the execution of foreign exchange transactions including fixing orders.**

*We agree.*

13. **The group recommends stronger demonstration by market participants of compliance with the codes of the various foreign exchange committees, as well as their internal codes of conduct.**

*We agree.*

14. **The group recommends that index providers should review whether the foreign exchange fixes used in their calculation of indexes are fit for purpose.**

*We agree. However, the implications of any change in foreign exchange benchmarks within indices for equity, commodities or fixed income benchmarks must be discussed exhaustively with buy-side clients.*

15. **The group recommends that asset managers, including those passively tracking an index, should conduct appropriate due diligence around their foreign exchange execution and be able to demonstrate that to their own clients if requested. Asset managers should also reflect the importance of selecting a reference rate that is consistent with the relevant use of that rate as they conduct such due diligence.**

*We agree.*

Thank you for providing us with the opportunity to comment on the recommendations in your Report. We would be pleased to provide any further explanations or submissions with respect to these matters.

Yours truly,

A handwritten signature in black ink, appearing to read "Tim Wiggan", with a horizontal line extending to the right.

Tim Wiggan  
Chief Executive Officer  
TD Asset Management Inc.