

# INTERVENTION IN FOREIGN EXCHANGE MARKETS



## WHAT

### FOREX INTERVENTION IS A MONETARY POLICY TOOL

The Bank of Canada can influence the value of the Canadian dollar relative to other currencies.

We buy units of foreign currency and sell Canadian dollars, in order to stabilize our currency's value and our exchange rate with other currencies.

## WHY

### CURRENCY MARKETS CAN BE VOLATILE

The Bank of Canada acts on behalf of the Canadian government to counter disruptive short-term changes in the value of the Canadian dollar.



## WHEN

### BANK OF CANADA CAN INTERVENE IF:



1. Prices are fluctuating wildly in the short-term



2. There are long periods of instability that threaten economic growth

### OUR INTERVENTION POLICY IS ESTABLISHED IN CLOSE CONSULTATION WITH THE GOVERNMENT

Established by the government in close consultation with the Bank of Canada, we intervene on a discretionary rather than a systematic basis.

This means that we act only in exceptional circumstances.



If the government and the Bank want to moderate a decline in the price of the Canadian dollar, the Bank buys Canadian dollars in exchange for other currencies – mainly U.S. dollars. This boosts demand for Canadian dollars and helps support the dollar's value.



On the other hand, by selling Canadian dollars, the Bank increases the supply of Canadian dollars, and provides some resistance to the upward movement of the currency.

FOR MORE INFO ABOUT FOREX MARKETS AND THE BANK OF CANADA, PLEASE VISIT:

[www.bankofcanada.ca](http://www.bankofcanada.ca)