CPMA ACPM

CPMA Policy Paper P-011

Policy Title

Foreign Currency Exchange Rates

Date of Issue

Issued: May 1, 2018

Legislative Reference

Subsection 51(4) of the *Pari-Mutuel Betting Supervision Regulations*

Effective Date

May 1, 2018

Issue

Canadian race-course associations that offer inter-track betting into Canada (i.e. international common pool betting) are required to convert bets made in foreign currency into Canadian currency when calculating the applicable deductions and pay-out prices further to subsection 51(4) of the *Pari-Mutuel Betting Supervision Regulations* (the Regulations).

Subsection 51(4) of the Regulations was amended and placed into effect on March 2nd, 2017. The provision reads as follows,

51(4) If a bet is made in foreign currency, the value of the bet for the purposes of calculating the applicable deductions and pay-out prices shall be determined by converting the foreign currency into Canadian currency at one of the following rates, as applicable:

(a) if the foreign currency is one for which the Bank of Canada quotes a rate of exchange with Canadian currency, the rate of exchange quoted by the Bank on the day before the day on which the post time of the first race of the racing card is scheduled or, if there is no rate quoted for that day, the most recent rate of exchange quoted by the Bank between those currencies on a day before the day on which the post time of the first race of the racing card is scheduled;

(b) if the foreign currency is not one for which the Bank of Canada quotes a rate of exchange with Canadian currency, the rate of exchange quoted between those currencies on the Internet at www.xe.com at 16:00 Coordinated Universal Time (UTC) on the day before the day on which the post time of the first race of the racing card is scheduled or, if that rate is not available, the midpoint rate of exchange quoted between those currencies on the Internet at www.oanda.com at 22:00 Eastern Time on the day before the day on which the post time of the first race of the racing card is scheduled.

Decision

In order to promote the correct conversion of foreign bets into Canadian currency, the CPMA has provided additional direction for applying the currency exchange rules under three parts; Identification of the correct foreign currency exchange rate, Instructions for internet website sources, and CPMA's position with respect to rounding methods used.

La version française de la présente publication est intitulée *Taux de change de devises étrangères*

CPMA ACPM

Canada

The exchange rate used for race cards that <u>begin</u> past midnight shall use the rate entered at the start of the pari-mutuel system session (i.e. when betting is opened). Also, where future betting is offered, (e.g. advance bets), exchange rates shall be converted to Canadian dollars using the most recent rate applicable to the scheduled day of racing, not before (i.e., not when a bet occurred, for example, 10 days before).

Part 1 - Identification of Correct Foreign Currency Exchange Rate

The Bank of Canada changed the way it publishes foreign exchange rates on March 1, 2017. The Bank of Canada published list now includes 26 currencies, reduced from approximately 56 foreign currencies. The list is based on foreign currencies that are most actively traded against the Canadian dollar.

Effective May 1st, 2017 the Bank of Canada stopped publishing the "noon" and "closing" exchange rates, and now supplies a single rate published each day at 16:30 Eastern Time (ET). This new rate is the applicable rate when referencing the Bank of Canada exchange rates.

Should the Bank of Canada not provide an applicable rate of exchange for a currency, the *Pari-Mutuel Betting Supervision Regulations* require that associations use the rate provided at the Internet site, www.xe.com. Should an applicable rate not be available at this site, whether temporarily or permanently, or if it does not provide an exchange rate for a particular foreign currency, then associations must use the rate provided on the Internet site, www.oanda.com.

This approach ensures that an appropriate rate is reliably available and precisely identified for converting bets made in foreign currencies.

It is important to note that the Regulations also addresses the situation where the Bank of Canada does not provide a rate, for example, on Saturday, Sunday or Statutory Holiday and, as such, the "previous day's rate" is unavailable. Paragraph 51(4)(a) of the Regulations clarifies that associations are to use the **most recent quoted rate** by the Bank of Canada, which for our example will typically be the rate quoted on Friday.

The following illustrates application of the regulatory provision and provides general direction for identifying and using the correct internet source for foreign currency exchange rates.
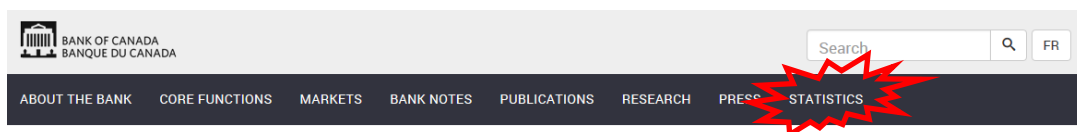
Part 2 – Instructions for Internet website sources

The following step-by-step instructions for identifying the applicable exchange rate are recommended by CPMA for the promotion of industry consistency and user-friendliness. While the CPMA recognizes that other methods may be used, adherence to these instructions will ensure that the exchange rates are accurately identified and applied in the accordance of subsection 51(4) of the Regulations.

Bank of Canada

For foreign currency exchange rates found on the Bank of Canada,

1. Go to www.bankofcanada.ca

2. Click on "**Statistics**" located at the far right on the top menu bar

3. Scroll down and select "**Daily Exchange Rates Lookup**" (NOT "Daily or Monthly Exchange Rates)

4. Under the "Currencies" subtitle, Click the "**Select All**" button.

5. Under the "Dates" subtitle, go to "Select Date Range" and select "**Custom Dates**" from the dropdown menu.

Currencies

Select one or more currencies *

Australian dollar ×	Brazilian real ×	Chinese renminbi ×	European euro ×
Hong Kong dollar ×	Indian rupee ×	Indonesian rupiah ×	Japanese yen ×
Malaysian ringgit ×	Mexican peso ×	New Zealand dollar ×	Norwegian krone ×
Peruvian new sol ×	Russian ruble ×	Saudi riyal ×	Singapore dollar ×
South African rand ×	South Korean won ×	Swedish krona ×	Swiss franc ×
Taiwanese dollar ×	Thai baht ×	Turkish lira ×	UK pound sterling ×	US dollar ×
Vietnamese dong ×

Select All   Clear

Dates

Select date range

Custom dates ▼

Start (or single date) *   End date

yyyy-mm-dd   📅   yyyy-mm-dd   📅

Submit

6. Click on the calendar dropdown in the "**Start date**" (No "End date" required). The date selected should be the date that immediately precedes the race date.

Dates

Select date range

Custom dates
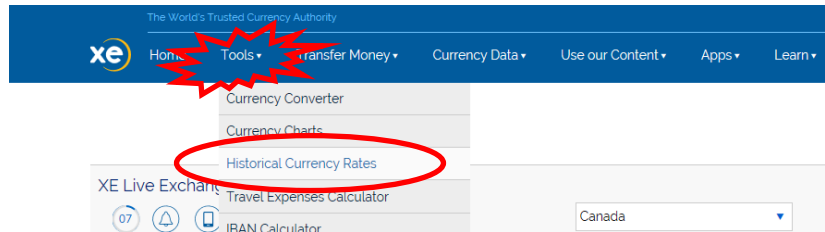
Start (or single date) *

| 📅

Submit

This will provide you with a list of *daily average exchange rates* for all 26 currencies as published at 16:30 Eastern Time (ET) by the Bank of Canada. The list is reviewed every three (3) years by the Bank of Canada and, if necessary, adjusted.

As of the date of this publication, the 26 currencies published by the Bank of Canada are:
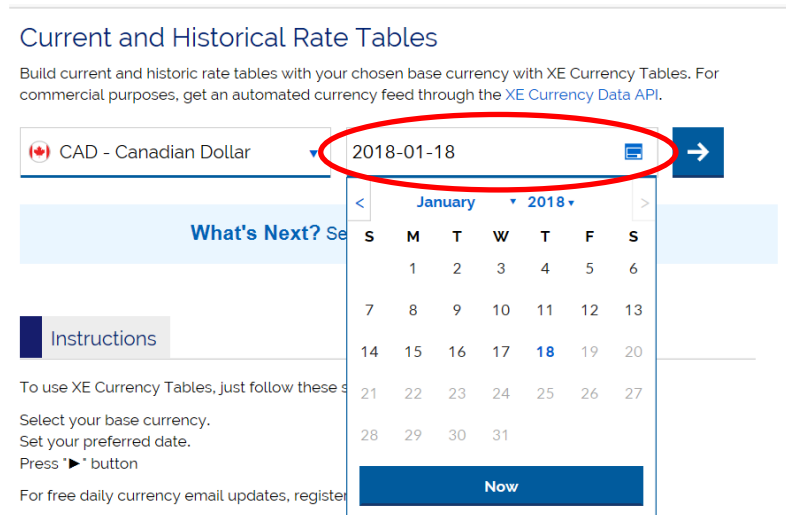
1. Australian dollar   2. Brazilian real   3. Chinese renminbi

4. European euro   5. Hong Kong dollar   6. Indian rupee

7. Indonesian rupiah   8. Japanese yen   9. Malaysian ringgit

10. Mexican peso   11. New Zealand dollar   12. Norwegian krone

13. Peruvian new sol   14. Russian ruble   15. Saudi riyal

16. Singapore dollar   17. South African rand   18. South Korean won

19. Swedish krona   20. Swiss franc   21. Taiwanese dollar

22. Thai baht   23. Turkish lira   24. UK pound sterling

25. US dollar   26. Vietnamese dong

XE

Where the Bank of Canada site does not provide a foreign currency exchange rate pursuant to paragraph 51(4)(b) of the Regulations, associations shall use the rate of exchange provided at 16:00 UTC (17:00 during Standard Time) listed on the Internet website www.xe.com. It should be noted that unlike the Bank of Canada site, www.xe.com provides new currency exchange rates on every day of the week and therefore requires associations to use the previous day exchange rate published on weekends and holidays.
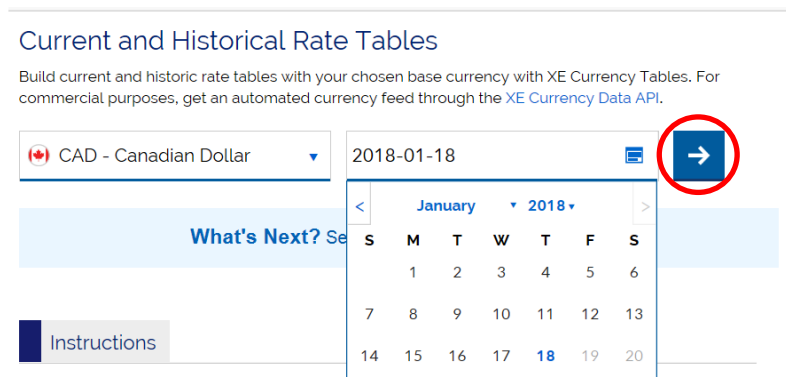
1. From the Home page, www.xe.com go to "Tools" on the top menu bar and click on "Historical Currency Rates" in the dropdown menu.

2. In the "Date" box, select the date that immediately precedes your race date from the drop down calendar.

3. Click on the Right Arrow icon to convert from Canadian to all listed foreign currencies,

4. Ensure that you are using the **mid-market rate** (identifiable by the time presented as "20XX-XX-XX **16:00 UTC**" during Daylight Saving Time ("20XX-XX-XX **17:00 UTC**" during Standard Time). Scroll down to the foreign currency(ies) which have been converted,

5. Enter the CAD per Unit rate(s) as listed above and using the rounding method described below in Part 3.
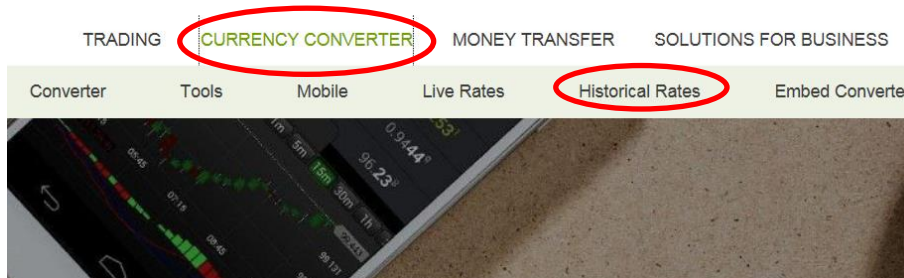
Oanda

Where an applicable rate of exchange is not available on the Bank of Canada site, or at www.xe.com, the association shall use the rate of exchange provided at the Internet website www.oanda.com. It should be noted that similar to www.xe.com, www.oanda.com provides new currency exchange rates daily and therefore requires associations to use the previous day exchange rate published on weekends and holidays.
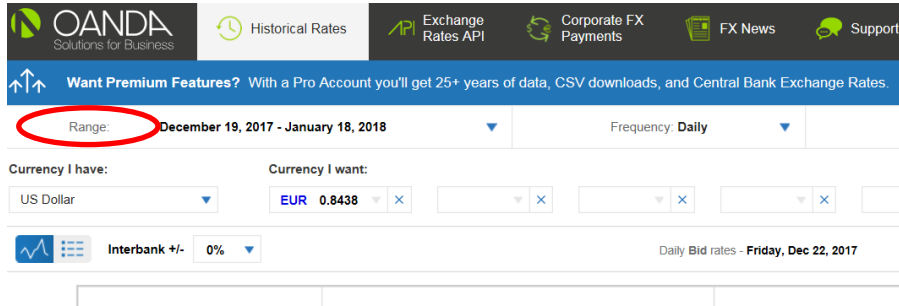
The Internet site, www.oanda.com has three daily prices listed in their Historical Rates; (i.e. Bid, Ask and Midpoint prices). These rates are updated and posted daily at 22:00 ET.

In rare case where Associations must rely on www.oanda.com as a source for currency exchange rates, they should use the midpoint (MID) rate of exchange quoted between those currencies on the Internet at www.oanda.com at 22:00 Eastern Time (ET) on the day before the day on which the post time of the first race of the racing card is scheduled.
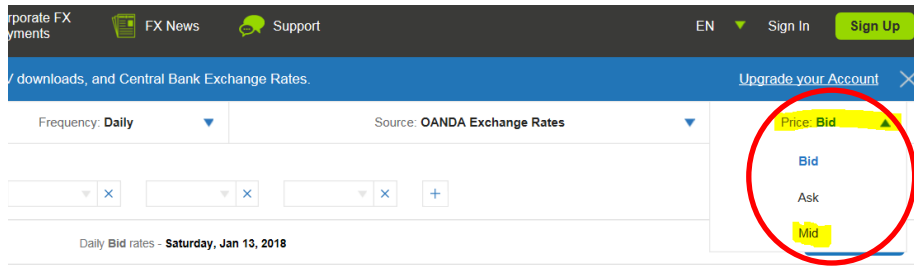
1. Go to www.oanda.com and click on "Currency Converter" in the top menu bar and then click on "Historical Rates" ,
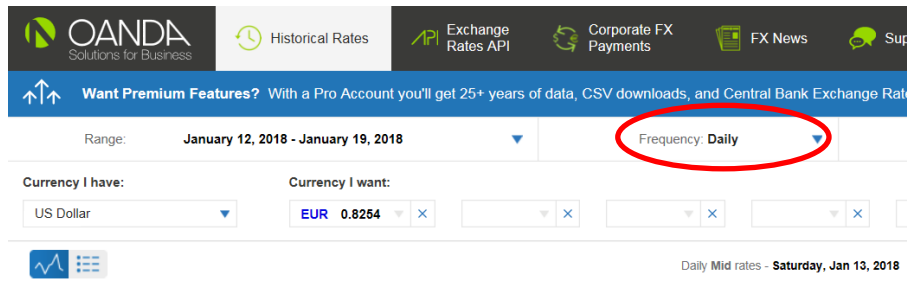
2. On the top left, click on "Range:" and select "7 days" and ensure the applicable date is included in the highlighted date range in the dropdown calendar and then click "Apply",
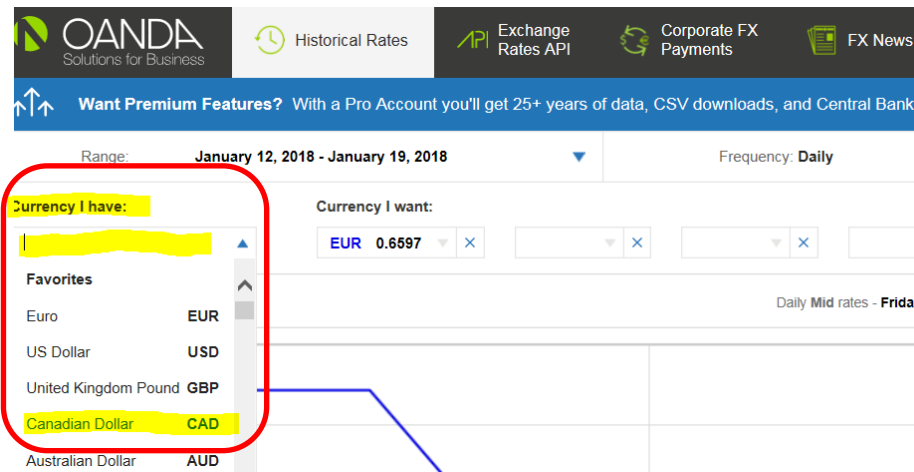

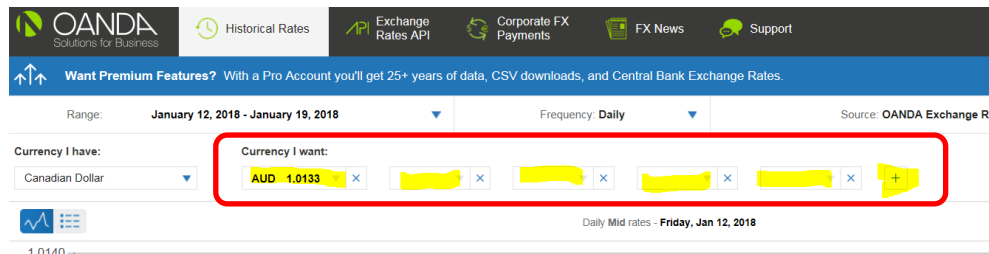3. On the far top right of the screen click on "Price:" and select "Mid",

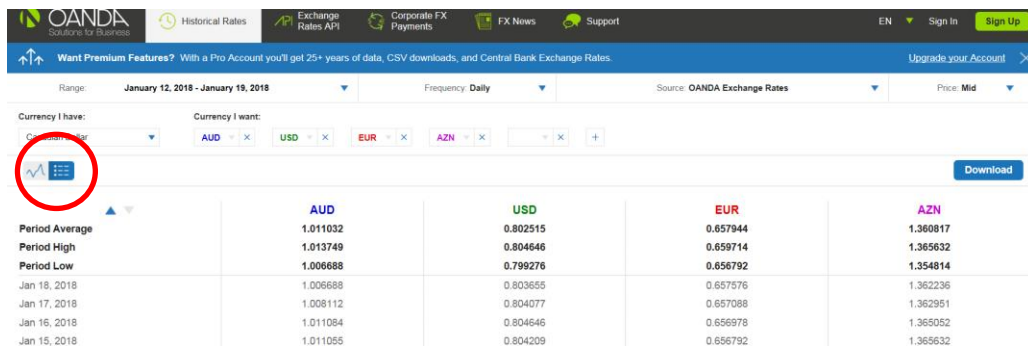4. On the top middle of the screen click on "Frequency:" and select "Daily",

5. Select "Currency I have:" and select "Canadian Dollars   CAD"

6. Select "**Currency I want:**" and select the appropriate currency(ies) for which you require exchange rate(s) (note you may select more than one currency in each additional drop down box and you may add addition boxes by clicking on the + sign).

7. Select the **icon** at the top left of the screen to _list_ the Daily rates instead of the graph.

8. Enter the CAD per Unit rate(s) as listed above and using the rounding method described below in Part 3.

Part 3 - Rounding Method for Foreign Currency Exchange

Canadian race-course associations that offer inter-track betting into Canada (i.e. international common pool betting) are required to convert bets made in foreign currency into Canadian currency when calculating the applicable deductions and pay-out prices under the rules described under subsection 51(4) of the _Pari-Mutuel Betting Supervision Regulations_.

The rule for rounding to two decimal places relies on the value of the third decimal place. That is, if the number in the third decimal place is 5 or higher, then add 1 to the number in the second decimal place. However, if the number in the third decimal place is less than 5, leave the number in the second decimal place as is. After rounding to the second decimal place, all numbers after the second decimal place are omitted. For example, the reported exchange rate of 1.273593 would be rounded to 1.27, because the number in the third decimal place (i.e., "3") is less than 5. Alternatively, a reported exchange rate of 1.278593 would be rounded to 1.28, because the number in the third decimal place (i.e., "8") is greater than 5.

Converting Canadian currency into a foreign currency

While the _Pari-Mutuel Betting Supervision Regulations_ do not explicitly address currency exchange requirements used for converting bets made in Canadian dollars into a pool calculated in a foreign currency, the CPMA will support use of the same rounding method described above, provided this is consistent with the currency exchange method used by the regulator in the pool host's jurisdiction.