**An Empirical Test for the Effectiveness of Central Bank Interventions in Foreign Exchange Markets: An Application to the Canadian and Swiss Central Banks**

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**Abstract:**

This paper investigates the effectiveness of foreign exchange interventions of central banks of Canada and Switzerland. We examine the effectiveness of Canada and Switzerland interventions policies on Canadian dollar againstUS dollar and Swiss franc againstUS dollar exchange rates volatility over the 1980-2014 period. A behavioral exchange rate equation is estimated with instrumental variables methodology. The main results indicate that interventions generally reduce exchange rates volatility. However, the Swiss National Bank seems to be more efficient by stabilizing the Swiss franc than the Bank of Canada, whose interventions, despite its effectiveness, remains weak.

**Keywords:** Volatility, Exchange rate, Official international reserves.

**JEL Class:**E51, E52, E58.