

Minutes of the Canadian Foreign Exchange Committee Meeting #64

**Held at 1:30 p.m., Tuesday, June 5, 2007
Toronto**

Present: Joe Barbaro, Reuters Information Services (substitute)
Craig Ellis, CIBC World Markets
Sharon Grewal, Chair - CCFP
Simon Jones, Citigroup (substitute)
Moti Jungreis, TD Securities
Clifton Lee-Sing, Department of Finance
Brendan Luxton, Scotia Capital (guest)
Brad Meredith, HSBC Bank Canada
Tim Miles, ICAP Capital Markets Canada
Ed Monaghan, RBC Capital Markets (substitute)
David Ogg, Lava Trading (guest)
Andy Sittambalam, (Chair, OMWG)
Evan Steed, President, FMAC
Jamie Thorsen, BMO Capital Markets
Barry Wainstein, Scotia Capital
George Pickering, Bank of Canada (Chair)
Grahame Johnson, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)

Regrets: Jeff Feig, Citigroup
Russell Lascala, Deutsche Bank
Jack Linker, Reuters America
Harry Samuel, RBC Capital Markets

64.1 Adoption of Agenda and Introductions

The Committee adopted the agenda, as written. The Chair introduced Andy Sittambalam, the Chair of the CFEC's Operations Managers Working Group, and David Ogg from LavaFX, the guest speaker for the meeting presentation.

64.2 Featured Presentation from David Ogg on LavaFX

David Ogg, the CEO of Lava Trading Inc., gave a presentation on LavaFX, an electronic trading platform owned by Citigroup. LavaFX is one of many electronic exchanges that have appeared in the foreign exchange market in recent years. Mr. Ogg gave a description of two

trading platforms that are offered by LavaFX. The first is a buy-side platform that offers an electronic communications network of live dealable prices, full depth of book, the ability to place bids and offers, and anonymous trading.

The second platform, which is a newer initiative, is an interbank platform intended for use by banks. It will be launched formally at the end of June. A feature of this platform is that it will allow for what has been called “dark liquidity,” where two bank counterparts will be able to trade large positions quickly and quietly amongst themselves without other bank participants in the market knowing.

64.3 Report from the Membership Subcommittee

George Pickering reported that the Membership Subcommittee (MSC), which is comprised of Craig Ellis, Jamie Thorsen, Barry Wainstein and himself, met on May 30th and made a number of recommendations regarding membership on the CFEC and the MSC.

- On the CFEC, the terms of two individuals, Craig Ellis from CIBC World Markets and Richard Audet from Société Générale, expired on April 30th. As a major FX bank in Canada, the MSC (excluding Craig) decided to renew the term of Craig Ellis and CIBC World Markets for another three years. The membership of Société Générale on the Committee was allowed to expire.
- John Walks from State Street Global Markets Canada was asked to join the CFEC for a three-year term and he has accepted. State Street is one of the eight banks in Canada that participate in the CFEC’s semi-annual FX volume survey.
- Vincent Butkiewicz from the National Bank of Canada has stepped down from the Committee. The MSC is still in discussions with the National Bank regarding his possible replacement.
- With respect to the MSC itself, on April 30th Craig Ellis’s three-year term expired. In the interest of rotation, which allows for more than three individuals to serve on this Subcommittee, it was decided that Brad Meredith from HSBC Bank Canada would be asked to join the MSC for a three-year term. Brad, a long-standing member on the CFEC, has agreed to serve in this role.

64.4 Authorization Letters

A CFEC member raised the issue of authorization letters. This refers to a practice in which customers in the FX market send letters to dealing firms that include restrictions on the authority of individuals to undertake trade or post-trade activities on their company's behalf. For example, a client might specify which particular individual is authorized to confirm trades or issue settlement instructions, or they may impose restrictions on the amount or specific currencies an individual is authorized to confirm. This is viewed as a unilateral attempt by customers to shift the burden of enforcing compliance with their own internal policies and procedures to the dealing counterparty. In May of last year, the industry members of the CFEC signed a letter which discourages this type of activity as inappropriate and inconsistent with best practices in the FX market. The letter built on the work of the Foreign Exchange Committee in New York. Notwithstanding this letter and the stance of the Committee, the member felt that the incidence of this practice was increasing.

The members decided to look into creating a standardized industry-endorsed letter, that could be used to respond to clients that attempt to issue authorization letters in violation of this recommended best practice.

64.5 Report on the ACI World Congress in Montreal

The Chair of the CFEC congratulated Sharon Grewal and the Congress Organizing Committee on the very successful ACI World Congress that was held in Montreal at the beginning of May. Ms. Grewal noted that the Congress, which came in on budget, had over 660 participants from 51 countries (60% of the participants were from outside of North America).

Role of the ACI and its Relation to the CFEC - Although there was no time at this meeting, **it was decided that at a future meeting the role of the ACI and how it relates to the CFEC, all within the context of an evolving FX industry, would be discussed.**

64.6 Report of the Committee for Professionalism

Canadian Representative for FXC Chief Dealers Group - Sharon Grewal reported that the CCFP would like to put forward a new representative for Canada to sit on the FXC Chief Dealers Group (CDG). The requirements for this position are that the candidates must:

- Attend all FXC CDG meetings in person or by teleconference where acceptable (approximately six meetings per year);
- Attend all CCFP meetings (in person or by teleconference) and report on FXC CDG issues either at the meetings or on an interim basis if warranted;
- Be at a senior level and be responsible for a trading business; and
- Understand that their role is as the Canadian FX markets representative first and foremost.

The CFEC members were asked to forward the name, CV and contact details for individuals who they would like to see take on this role to Rob Ogradnick or Sharon Grewal by June 30th, 2007. Sharon or Rob will then contact each candidate to confirm that they understand the role of this position and satisfy the requirements above. The CVs will then be forwarded to the FXC CDG for consideration. The final decision rests with the FXC CDG.

Upcoming Professional Development Events - Sharon reminded people about the ACI Australia Dealing Simulation Course being held in New York from July 30th to August 1st, and the ACI Davos Leadership Seminar being held from November 1st to 4th. The brochures and registration forms have been distributed to the members.

Retail FX - Ms. Grewal recommended that the Committee leave for a future meeting a discussion pertaining to retail FX and whether there is anything more that the CCFP could be doing to ensure that professional standards are being adhered to.

64.7 FMAC News

Evan Steed reported on the ACI Operations Certificate, which will be launched soon as a replacement for the ACI Settlements Certificate. He also reported on the successful Charity Golf Tournament that was held for Sick Kids Hospital.

64.8 Other Business

Planning for Future Meetings - In order to plan for future meetings over the next year, the members will discuss at the October 2nd meeting possible topics and the arrangement of speakers for 2008. To facilitate this discussion and the selection

of topics, the members will be asked for suggestions which will be circulated to the Committee in advance of the October meeting.

64.9 Next Meeting

The next meeting will be held on Tuesday, October 2 in Toronto.