

Minutes of the Canadian Foreign Exchange Committee Meeting #60

**Held at 3:30 p.m., Wednesday, February 8, 2006
Toronto**

Present: Tarun Anand, Reuters America (Guest)
Joe Barbaro, Reuters Canada (Substitute)
François Barrière, Laurentian Bank (Substitute)
Vincent Butkiewicz, National Bank of Canada
Craig Ellis, CIBC World Markets
Jeff Feig, Citigroup
Sharon Grewal, Chair - CCFP
Moti Jungreis, TD Securities
Dino Kos, Federal Reserve Bank of New York (Guest)
Russell Lascala, Deutsche Bank
Brad Meredith, HSBC Bank Canada
Ed Monaghan, RBC Capital Markets (Substitute)
Tim Miles, Garban Intercapital
Carmen Perricone, President - FMAC
Harry Samuel, RBC Capital Markets
James Sinclair, EBS (Guest)
Jamie Thorsen, Bank of Montreal
Barry Wainstein, Bank of Nova Scotia
George Pickering, Bank of Canada (Chair)
Carolyn Wilkins, Bank of Canada
Ron Morrow, Bank of Canada
William Barker, Bank of Canada
Rob Ogrodnick, Bank of Canada (Secretary)

Regrets: Richard Audet, Société Générale
Sandra Lavoratore, Department of Finance
Bernard Piché, Laurentian Bank
Susan Gammage, Reuters America Inc.

60.1 Adoption of Agenda

The Committee adopted the agenda, as written. The Chair introduced two new members, Harry Samuel and Russ Lascala as well as two substitute members, Ed Monaghan and François Barrière. He then introduced the two guest speakers, Tarun Anand and James Sinclair, and also Dino Kos who was attending the meeting on behalf of the New York Foreign Exchange Committee and Federal Reserve Bank. Carolyn Wilkins was also welcomed to her first meeting.

60.2 Approval of the Minutes of Meeting #59, held September 29, 2006

In the future, the minutes will be considered approved after they have been circulated to the members for comment, after which they will be posted on the public CFEC website.

60.3 Featured Discussion - Electronic Trading, Prime Brokerage and Non-bank Participants

This discussion addressed implications for the FX market of letting members of the professional trading community (PTC) access inter-bank pricing via a prime brokerage channel. It began with presentations by Tarun Anand of Reuters and James Sinclair of EBS, two service providers whose electronic platforms represent a large share of the wholesale FX market. The two companies have recently allowed the PTC access to their systems.

Given the growing PTC participation in the FX market - both in numbers and trading volumes - their effect on liquidity was discussed. Some CFEC members suggested that the PTC impact has been positive, expanding the number of participants in the market. Others noted that unfettered PTC access to inter-bank pricing could be detrimental to the market because the inter-bank trading by the PTC is undertaken anonymously through prime brokers, which creates opportunities for disruptive trading practices.

Most participants agreed that these new PTC participants need to be integrated into the market in a manner that benefits everyone, with the goal of promoting trading practices that build faith in the fairness of the marketplace. Changes were being introduced on the trading platforms with a view to further promoting fair dealing standards. CFEC members expressed their appreciation to the outside speakers for their participation and noted that the session had contained an informative exchange of views on this topic.

60.4 Tour de table - Recent Market and Related Developments

There was a discussion of recent developments in the FX market. William Barker presented the results of the third annual survey of CFEC member banks regarding the hedging activity of Canadian corporations. **A summary of these results will be posted on the Bank of Canada and CFEC websites.**

60.5 Update from the New York Foreign Exchange Committee

Dino Kos from the Federal Reserve Bank of New York gave an update on some of the recent projects of the New York Foreign Exchange Committee (FEC), which include:

- the release of the third (October 2005) FX volume survey of the North American market.
- the publication of a paper on “Foreign Exchange Prime Brokerage: Product Overview and Best Practice Recommendations.”
- a letter to market participants that covers the topics of retail aggregation, white labelling, and the legal framework for understanding the retail-wholesale boundary in foreign exchange.
- the publication of a prime brokerage Master FX Give-Up Agreement and Compensation Agreement.

After the presentation by Mr. Kos, there was some discussion about the difference between the FEC’s Chief Dealer’s Group and the CFEC’s Canadian Committee for Professionalism (CCFP), and whether the CFEC needs a Chief Dealer’s Sub-Committee. **It was suggested that at the next CFEC meeting there be a discussion about the CCFP, how it has evolved and whether there is a need for a Chief Dealer’s Group.**

60.6 Report of the Canadian Committee for Professionalism (CCFP)

ACI CFP Update of Model Code to Incorporate E-trading/CLS - Sharon Grewal informed the members that the ACI Committee for Professionalism is updating the Model Code to incorporate best practices relating to the aforementioned topics. **Draft updates will be circulated to the CCFP and CFEC members for comment sometime after the ACI World Congress in Manila at the end of May.**

ACI Education Exhibit - In an effort to continue to improve the minimum standard of knowledge best practice in the industry, Ms. Grewal would like to know if there is any interest amongst the CFEC members to have an ACI education presentation and exhibit from various trainers at the 2007 World Congress in Montreal. It would be geared to interested candidates, human resources personnel and senior managers. **A proposal to have an ACI education exhibit and**

presentation at the Congress will be discussed at the next CFEC meeting. A brief note will be circulated prior to the meeting.

60.7 Report of the Membership Subcommittee

George Pickering reported on the recommendations that arose from the January 17th meeting of the Membership Subcommittee (consisting of Craig Ellis, Jamie Thorsen, Barry Wainstein and George Pickering). As a result:

- Harry Samuel is the new member from RBC Capital Markets.
- The terms of Jeff Feig, Moti Jungreis and Jamie Thorsen were all renewed for a three-year term ending on April 30, 2009.
- Jamie Thorsen will serve another three-year term on the Subcommittee.

60.8 Results of the First Semi-annual FX Volume Survey

Rob Ogrodnick presented the results of the first (October 2005) semi-annual survey of the FX market in Canada. He noted that while similar in nature to the BIS triennial survey, the two surveys are not directly comparable because of some differences in methodology. The Bank of Canada, which aggregates the data on behalf of the participating banks, is in discussions with the banks to determine what data will be publicly released on the CFEC website.

60.9 Other Business

Legislation in Canada (Bill C-55) - The Chair reported that a member has brought to the attention of the CFEC that legislation contained in Bill C-55, which was recently passed into law but is not yet in force, could impact the enforceability of master netting agreements. **The CFEC will look into the issues raised by Bill C-55.**

60.10 Next Meeting

The next meeting will be held on Wednesday, June 7th in Toronto.