

# **Minutes of the Canadian Foreign Exchange Committee Meeting #63**

**Held at 1:30 p.m., Tuesday, February 6, 2007  
Toronto**

**Present:** Tarun Anand, FXMarketSpace (guest)  
Firas Askari, BMO Capital Markets (substitute)  
Steve, Boucouvalas, HSBC Bank Canada (substitute)  
Craig Ellis, CIBC World Markets  
Sharon Grewal, Chair - CCFP  
Simon Jones, Citigroup (substitute)  
Moti Jungreis, TD Securities  
Russell Lascala, Deutsche Bank  
Clifton Lee-Sing, Department of Finance  
Jack Linker, Reuters America  
Brendan Luxton, Scotia Capital (guest/substitute)  
Tim Miles, ICAP Capital Markets Canada  
Richard Poirier, National Bank of Canada  
Mark Robson, FXMarketSpace (guest)  
Harry Samuel, RBC Capital Markets  
Evan Steed, President, FMAC  
George Pickering, Bank of Canada (Chair)  
Grahame Johnson, Bank of Canada  
William Barker, Bank of Canada  
Rob Ogrodnick, Bank of Canada (Secretary)

**Regrets:** Richard Audet, Société Générale  
Jeff Feig, Citigroup  
Brad Meredith, HSBC Bank Canada  
Jamie Thorsen, BMO Capital Markets  
Barry Wainstein, Scotia Capital

## **63.1 Adoption of Agenda and Introductions**

The Committee adopted the agenda, as written. The Chair introduced two individuals who were attending their first meeting: Clifton Lee-Sing, who has replaced Sandra Lavoratore as the representative from the Department of Finance, and Grahame Johnson from the Bank of Canada. The Chair also introduced Mark Robson and Tarun Anand from FXMarketSpace.

### **63.2 Featured Discussion - Enabling Growth in Evolving FX Markets: Presentation from FXMarketSpace**

Mark Robson and Tarun Anand gave a presentation to the CFEC on recent developments at FXMarketSpace. The company is a 50/50 joint venture between Reuters and the CME, and is the first centrally cleared FX trading platform. It combines the central counterparty model and clearing function of the CME with the global distribution network of Reuters to create a new pool of liquidity in the FX market (separate from the existing Reuters Matching and CME Globex electronic trading pools).

FXMarketSpace offers a number of features including price transparency in which the depth of book can be seen, fully anonymous trading and central counterparty clearing. The system went live on February 8th with a limited number of customers (to facilitate further testing) and proposes to launch fully by the end of Q1/07.

The Committee discussed the platform with the representatives of the company. The topics covered included the platform's liquidity features and the mechanism through which banks and their counterparties could trade. The CFEC members expressed their appreciation to the speakers for their participation. Mark and Tarun offered to return at some point in the future to provide an update on further developments.

### **63.3 Tour de table - Recent Market and Related Developments**

The Tour de table is not reported in the minutes.

### **63.4 Report of the Canadian Committee for Professionalism (CCFP)**

The CCFP met on January 18th and Sharon Grewal reported on a number of issues that were discussed at the meeting.

**Authorization Letters** - The issuance of authorization letters refers to a practice in which customers in the foreign exchange 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. The CFEC is of the opinion that these types of authorization letters are inappropriate as they are a unilateral attempt by customers to shift the burden of enforcing compliance with their own internal policies and procedures to

the dealing counterparty. This is not seen as being consistent with best practices in the market.

The (New York) Foreign Exchange Committee (FXC) issued a detailed letter on this practice on July 14, 2005. As a result of work from the CFEC's Operations Managers Working Group (OMWG), on May 2, 2006 the CFEC released a letter on its website which endorsed the FXC letter as an appropriate and important guideline for the Canadian foreign exchange market.

This issue was brought to the attention of the CCFP as a result of an incident in which a customer asked a bank to sign an authorization letter and that bank declined because it is not a best practice in the Canadian market. The client was then reported to have shown that bank an authorization letter that had been signed by another bank. The members were reminded that all the industry members of the CFEC and the OMWG have endorsed this best practice. As well, the CCFP recommends that each institution investigate their liability from any past letters issued prior to May 2, 2006 and rescind them where possible.

**Process for Recommending a Canadian Representative to Sit on New York FXC Chief Dealers Group** - As reported at the last CFEC meeting, Canada now has a representative on the New York Foreign Exchange Committee's Chief Dealers Group, namely Mark Griffiths from RBC Capital Markets.

At the request of one of the CCFP members, the CCFP discussed a process for formalizing the selection of the Canadian representative. In particular, the CFEC members will be asked for potential candidates for this position. The CFEC member and/or Chair of the CCFP will confirm that the candidate understands their role as the Canadian representative. This includes attending the meetings of the CCFP and keeping the CCFP informed about the issues being discussed by the Chief Dealer Group that may be of interest to the Canadian market. The names of the potential candidates, including resumes if need be, will then be provided to the Chair of the Chief Dealers Group for their consideration. The term for the Canadian representative will be for one year (with the potential for renewal). **This selection process will be recommended to the Chair of the Chief Dealers Group. Ms. Grewal will report back to the CFEC on this in June and make a call for new candidates at that time as well.**

**CCFP Organization** - The CCFP decided to add an electronic broker representative (Joe Barbaro) to the Committee. This is in addition to the existing voice broker representation. Also, the number of allowable members on the CCFP will be increased from 9 to 13. Finally, Ms. Grewal announced that she will be stepping down as Chair

of the CCFP at the end of this year. **The CFEC members were asked to consider and encourage their representative on the CCFP to take on this role.**

**ACI Dealing Simulation Course** - An ACI dealing simulation course will be hosted in New York on April 25-27, 2007. Additional information will be circulated to the CFEC once it is available.

**ACI Montreal Congress (May 3-5, 2007)** - A handout summarizing the Congress was provided, which included the delegates registered to date, the business program overview and the exhibition floor plan.

**Beta Testing of ACI Operations Certificate** - Canada has been asked by the ACI Board of Education to participate in the beta testing of the examination for the Operations Certificate. This request has been passed on to the Operations Managers Working Group.

### **63.5 Other Business**

**2007 BIS Triennial Survey** - Rob Ogradnick reported that the 2007 triennial survey is on schedule to take place during April (for turnover data) and as at June 30th (for amounts outstanding). The financial institutions participating in the survey have been sent a letter inviting them to take part in an information session on either February 27th in Toronto or the 28th in Montreal. The purpose of these sessions is to provide an overview of the requirements of the survey and to give participants an opportunity to ask questions.

**October 2006 Volume Survey** - The results of the third semi-annual FX volume survey (for October 2006) were released on January 22nd, the same day as other FX committees around the world released their results. The press release and summary tables for the October survey have been posted on the CFEC website ([www.cfec.ca](http://www.cfec.ca)) under the FX Volumes and Rates page.

### **63.6 Next Meeting**

The next meeting will be held on Tuesday, June 5th in Toronto. Scotia Capital is hosting the lunch and will provide a guest speaker.

**The Chair asked the members to give consideration to topics and/or speakers that would be of interest to them at the next meeting.**