



INVESTMENT INDUSTRY ASSOCIATION OF CANADA  
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

**Barbara Amsden**  
Director, Capital Markets  
Tel: (416) 687-5476  
E-mail: bamsden@iiac.ca

April 23, 2007R

Ms. Randee Pavalow  
Director, Capital Markets  
Ontario Securities Commission  
20 Queen Street West, Suite 1903  
Toronto, Ontario M5H 3S8

Dear Randee:

**Re: Request to Address Inequitable Competitive Effect on IIAC Members**

We are writing to the Ontario Securities Commission (OSC) and the Investment Dealers Association of Canada (IDA) as we have been approached by a number of member representatives who expressed concerns with respect to matters preventing them from competing effectively in the area of spot foreign exchange trading.

Foreign exchange trading is a business that complements the product line of firms offering securities and options discount brokerage services to clients. It allows clients investing in foreign issue securities, who reasonably desire to hedge the related foreign exchange risk, to do so. Foreign exchange trading also provides clients with direct access to trade in foreign exchange markets and may enhance trading opportunities in an additional asset class. The two related concerns that a number of our members have expressed to us are that:

1. The IDA's capital rules (IDA MR0351) and how they are applied in the case of IDA firms puts some of our members at a significant disadvantage to American firms – this issue is aggravated by the second problem, namely;
2. There is unfair competition from close to a dozen non-OSC-regulated U.S. entities in the province.

With respect to the IDA's margin rules, we are approaching the IDA directly, however, this will not sufficiently address the problems that have arisen regarding the second issue. Therefore, we are submitting a formal request for the OSC to investigate and take action in the case of the above firms to the extent that the OSC's investigations confirm that these companies are in breach of the *Securities Act* (the Act) of Ontario. In this regard, and as you may be aware, the B.C. Securities Commission, on February 18, 2005, reached a Settlement Agreement with Forex Capital Markets, LLC for breaching Section 34 of that province's *Securities Act*.

We are sure that the Ontario Securities Commission will want to protect the investors and ensure a level playing field for investment dealers operating lawfully in the province of Ontario. The OSC's vision, which is one that we share, is of "Canadian financial markets that are attractive to domestic and international investors, issuers and intermediaries because they have integrity and are cost-efficient." The challenge our members face is that, in this instance, our markets are more cost-efficient for foreign than for domestic dealers. Addressing this issue will not only enable Canadian firms to compete on a more level playing field, but also show that the OSC is serious about enforcement of its mandate.

We look forward to your confirmation that you will investigate and take action on this issue to the extent that the OSC finds that any firms contravene Ontario's *Securities Act*. Our members would be pleased to provide reasonable assistance to your staff in this regard.

Yours truly

A handwritten signature in blue ink, appearing to read "Gordon", is positioned below the "Yours truly" text.

Cc: Mr. Michael Watson, Director – Enforcement, OSC  
Mr. Richard Corner, Vice-President – Regulatory Policy, Investment Dealers Association of Canada