

# IN BRIEF

From Herald News Services

## Harmonization plan for securities unveiled

**REGULATION** • The Canadian Securities Administrators rolled out final plans on the so-called passport system Friday, harmonizing securities rules across all the provinces and territories in Canada, save for Ontario.

The system allows companies to clear a prospectus with their home regulator, and then have that clearance automatically apply across all the other jurisdictions, except Ontario. The rules take effect March 17.

However, when the Ontario Securities Commission approves a prospectus for an issuer whose principal jurisdiction is Ontario, it is automatically approved in all of the passport jurisdictions in which the market participant filed prospectuses. Market participants outside Ontario will have to file an application with that province, and have it reviewed and approved by the OSC, the Canadian Securities Administrators said Friday.

Canada has been criticized for not having a single securities regulator, but the CSA argues the passport system harmonizes the rules. Ontario has not supported the passport system, instead throwing its support behind creating a national regulator.

## IBM purchase of Cognos is OK'd

**ACQUISITIONS** • European antitrust regulators have approved IBM's \$5-billion US purchase of Ottawa-based Cognos Inc. just days after saying it was taking a closer look.

The European Union said earlier this week the takeover exceeded thresholds for a simplified review because of the size of the combined market share. However, the regulators did not extend their Jan. 29 deadline for a decision.

The takeover will pit IBM-Cognos against the combination of SAP and Business Objects — both based at least partially in Europe — for leadership of the global business-intelligence software market.

The deal still faces other regulatory approvals and clearances, including under the Investment Canada Act. But is not expected to face significant issues.

## Shell predicts energy shortage by 2015

**OUTLOOK** • Royal Dutch Shell PLC forecasts that global demand for oil and gas will outstrip supply within seven years, chief executive Jeroen van der Veer said in a letter to Shell employees.

"We are experiencing a step-change in the growth rate of energy demand due to population growth and economic development, and Shell estimates that after 2015 supplies of easy-to-access oil and gas will no longer keep up with demand," van der Veer said in the letter dated Jan. 22.

There'll be a need for more nuclear power and unconventional fossil fuels, such as oilsands, van der Veer wrote.

Shell's production has dropped for four straight years. It is planning to revive growth through projects such as a gas-to-liquids venture in Qatar and oilsands production.

## Federated to expand Regina refinery

**ENERGY** • Federated Co-operatives Ltd., Canada's largest non-financial co-operative, plans to spend about \$1.9 billion to expand its Saskatchewan refinery to meet gasoline and diesel demand in Western Canada.

The expansion in Regina would add 30,000 barrels a day of processing capacity, said Bud Van Iderstine, the company's senior vice-president of refining.

The proposed expansion would be supplied by synthetic crude from northern Alberta, he said.



Adam Legge of Calgary Economic Development is pleased with the news Calgary's inflation rate dropped for the month of December, saying: inflation in Calgary has "put a strain on our community."

# Calgary's inflation rate lowest since April 2006

But overall rate in 2007 highest in Canada

GEOFFREY SCOTTON  
CALGARY HERALD

Calgary's inflation rate dropped below four per cent for the first time in 20 months in December as a soaring loonie sharply tempered consumer price gains across Canada, opening the door to further interest rate cuts by the Bank of Canada.

"It's a good thing. Inflation is never a positive thing," said Adam Legge, vice-president of research and business information for Calgary Economic Development.

"Inflation in Calgary over the past couple of years has been just too high. It's driven everything from housing to replacement costs out of reach for a number of Calgarians and put a strain on our community."

Statistics Canada said Friday Calgary's inflation sank to 3.7 per cent on an annual basis in December from 4.3 per cent in November, matching a level last seen in April 2006 — and the last time this city saw price gains below four per cent. Nonetheless, only Edmonton, at 4.5 per cent and Saska-

City	Consumer price index annual average percentage changes
Calgary	5.1
Alberta	5.0
British Columbia	1.8
Saskatchewan	2.8
Manitoba	2.0
Ontario	1.8
Quebec	1.6
New Brunswick	1.9
Nova Scotia	1.9
P.E.I.	1.8
Nfld. & Lab.	1.5
Yukon	2.5
N.W.T.	2.9
Nunavut	3.2
Canada	2.2

SOURCE: STATISTICS CANADA

toon, at 4.9 per cent posted higher city inflation rates in December.

The improved purchasing power from a surging Canadian dollar in the final month of 2007 helped slow the pace of price appreciation across all jurisdictions; however, Canadian inflation pressures remained firmly focused on Calgary and Alberta.

At 5.1 per cent, Calgary had the highest average inflation rate of any Canadian city in 2007, while December's rate for Alberta, at 4.1 per cent, led all provinces.

Similarly, Alberta had by far the highest average inflation rate in 2007 at five per cent, eclipsing No. 2 Saskatchewan's 2.8 per cent. Still, as 2007 closed out, price gains slowed faster in Alberta than anywhere else, StatsCan said, noting the reduction to 4.1 per cent from the province's 4.7 per cent annual rate in November.

"This slowdown can largely be explained by a 12.5 per cent decline in natural gas prices in December following a 3.2 per cent drop in November," the Ottawa-based federal agency said in an analysis. Declining homeowner replacement costs, a reflection of housing insurance and house prices, also contributed.

"Over the last six months, the slowdown in homeowners' replacement cost has been especially pronounced in Alberta," StatsCan said. "In December 2007, this cost rose only nine per cent for Albertans, well below the record gain of 48.6 per cent in September, 2006."

At the national level, the pace of appreciation in prices — and particularly in closely-watched core prices — slowed in December, prompting speculation that borrowing costs for consumers and businesses may be heading lower. Price gains that did occur were driven by higher gasoline prices and higher mortgage interest costs.

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# Enmax forced to answer questions

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City-owned Enmax Corp. has lost another round in a legal battle over an investigation by the Alberta Market Surveillance Administrator, which believes Enmax may have breached the competitiveness requirements of the Electric Utilities Act with power imports the utility made in September 2005.

Court of Queen's Bench Justice Alan Macleod has ruled Enmax employees must answer all questions from the Market Surveillance Administrator related to the agency's investigation of potential power market price manipulation by Enmax. The administrator's responsibilities include ensuring

Alberta's power market is "fair, efficient and operates in an open competitive manner."

Enmax has always maintained that at the time of the possible infringement, it was simply trying to meet contractual obligations but wasn't willing to pay overly high domestic Alberta prices.

However, Enmax also originally refused to answer all of the administrator's questions, questioned the administrator's jurisdiction and sought to have any court activities related to the investigation sealed from the public eye, claiming commercial sensitivity. The most recent court decision, rendered Thursday, marks at least the second time the utility has been on the wrong side of a judgment.

Administrator president Martin Merritt said Friday the latest court decision is reassuring. "It's unfortunate that Enmax takes the view that they were just trying to import power to meet their load," said Merritt said. "This is about, in our view, a potential to manipulate the market price outside of its competitively-determined range, and we take a dim view of price manipulation."

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## FRAUD

# Societe Generale had 'brutal' sell-off

REUTERS  
PARIS AND LONDON

French bank Societe Generale (SocGen) conducted a dramatic market sell-off operation in 48 hours after discovering a massive alleged fraud at the bank, traders and fund managers said Friday.

Sources close to French banks said SocGen had been nursing losses of \$1.47 billion to \$1.76 billion US when it discovered the fraud Jan. 19.

It subsequently unwound more than a million Eurostoxx stock index futures contracts from Jan. 21 to 22, bringing the hit to \$7.2 billion by Thursday.

"What's emerging is that SocGen was brutal in the way it unwound its positions," said a trader at an investment bank.

The trader, like others sifting through the turmoil left by SocGen's losses, declined to be named because of the sensitivity of trading and banking relationships.

It is not clear whether the Bank of France instructed SocGen to unwind the positions immediately, or whether it was seeking to avoid the same fate as failed British bank Barings.

"It's possible they learned some lessons from what happened to Barings. It prevaricated as it negotiated with the Bank of England, and positions moved further against it," he added.

The British bank was toppled in 1995 by rogue trades carried out and concealed by Nick Leeson, who fled and was later jailed.

The trader blamed for the SocGen scandal has not been seen since the losses became public, but his lawyer says he is available to talk to French police and other investigators.

Colleagues have named him as Jerome Kerviel.

Kerviel used his inside knowledge of the bank's computer systems to cover up spiralling losses on his trading account, the bank said.

That included using fake names and passwords.

He built up positions during 2007, but the global credit crunch, caused by losses in the U.S. mortgage sector, meant the market started to turn against him.

Traders and fund managers said that upon learning of the fraud on Jan. 19, SocGen promptly decided to liquidate its positions into a falling market on Jan. 21.

It is that decision that most baffles SocGen's competitors.

"People are trying to work out why they were in such a hurry to unwind, knowing that they were just digging a deeper hole," said a source close to a rival bank.

SocGen said it discovered the situation late on Friday, when a compliance officer noticed a trade that breached one of the bank's thresholds.

Further investigations quickly led to Kerviel, sources close to the matter said.

SocGen executives have said the trader was acting alone.

However, many failed to believe this was the case.

"It's impossible he was acting by himself," said Agilis Gestion fund manager Arnaud Scarpaci on Friday.

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