

# IIROC NOTICE

## **Rules Notice Notice of Approval / Implementation**

Dealer Member Rules

*Please distribute internally to:*

Credit  
Internal Audit  
Legal and Compliance  
Regulatory Accounting  
Senior Management

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**08-0200**  
**November 24, 2008**

## **Securities Concentration Charge calculation option for Broad Based Index Securities -**

### **Amendments to IIROC Dealer Member Form 1**

The IIROC Board of Directors have approved and confirmed the attached amendments to the General Notes and Definitions to Form 1 and the Notes and Instructions to Schedule 9 of Form 1, which were approved by the IDA Board of Directors on January 30, 2008. The amendments are effective December 1, 2008.

Schedule 9 of IIROC Dealer Member Form 1 requires disclosure of the largest ten issuer security positions that are being relied upon for loan value so that over exposure to an individual issuer and the applicability of a securities concentration charge can be determined. In determining whether an exposure to a particular issuer is a concern, the combined inventory and customer account collateral “amount loaned” exposure is calculated and compared to the Dealer Member’s risk adjusted capital.

Broad based index listed products (i.e., index participation units) have become popular vehicles for both Dealer Members and their clients to invest in a broad range of companies without having to invest individually in the companies themselves. A broad based index product (as opposed to an index sector product) also has the advantage of reducing both the



issuer and sector risk that may be associated with individual security holdings. As a result, it is believed that broad based index securities warrant a different treatment in determining whether they represent significant issuer risk to the Dealer Member.

The amendments allow Dealer Members the option of treating positions in broad based index listed products in the same manner as the underlying basket of index securities for security concentration purposes. This will be achieved by including a definition for the term “broad based index” in the General Notes and Definitions to Form 1 and by providing in the Notes and Instructions to Schedule 9 of Form 1 the option of reporting the “amount loaned” exposure for each index constituent security position held in determining whether any concentration charge applies.

To qualify as a “broad based index” an index must, among other things, be comprised of thirty or more securities with an average market capitalization of at least \$50 million that represent a broad range of industry and market sectors. The requirement that a broad range of industry and market sectors be represented ensures that there is no change in the way sector index products are considered for securities concentration purposes. This is because sector risk in many situations may be as high as individual issuer risk as there is a higher likelihood of individual issuer concentrations occurring within sectors.

For products that qualify as broad based index products, Dealer Members will be given the option of treating these positions in the same manner as the underlying basket of index securities for security concentration purposes. Therefore, the amendments do not assume that there is no issuer risk associated with holding broad based index securities, but rather conclude that the risk is no different than if positions in the underlying basket of index securities were held. The specific optional calculation will allow the broad based index product position to be reported as though individual positions in the underlying securities to the index were held. These “constituent” issuer securities positions held would be combined with other positions held for the same issuer to determine the overall amount loaned exposure to an individual issuer.



## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

### AMENDMENTS TO THE GENERAL NOTES AND DEFINITIONS TO FORM 1

#### DEFINITIONS:

(a) **“acceptable clearing corporations”** means the following entities:

1. Canada  
The Canadian Depository for Securities Limited  
Canadian Derivatives Clearing Corporation  
WCE Clearing Corporation
2. United States  
National Securities Clearing Corporation  
Pacific Clearing Corporation  
Stock Clearing Corporation of Philadelphia  
Midwest Clearing Corporation  
Boston Clearing Corporation  
Board of Trade Clearing Corporation  
Options Clearing Corporation  
Chicago Mercantile Exchange Clearing Corporation  
New York Commodity Exchange Clearing Corporation
3. Other Foreign  
Euroclear  
Cedel S.A.  
International Securities Clearing Corporation

(b) **“acceptable counterparties”** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:

1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$10 million and less than or equal to \$100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.
2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.
5. Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of \$10 million.
6. Corporations (other than regulated entities) with a minimum net worth of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.
7. Trusts and limited partnerships with minimum total net assets on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.
8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of \$10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.



9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$15 million and less than or equal to \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$15 million, provided acceptable financial information with respect to such companies is available for inspection.
11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
12. Federal governments of foreign countries which do not qualify as a Basle Accord country.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord countries.

Subsidiaries (excluding regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

(c) **“acceptable institutions”** means those entities with which a Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:

1. Government of Canada, the Bank of Canada and provincial governments.
2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.
3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
5. Federal governments of Basle Accord Countries.
6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of \$200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord countries.

Subsidiaries (other than regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

(d) **“acceptable securities locations”** means those entities considered suitable to hold securities on behalf of a Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation bylaws, rules or regulations of the Joint Regulatory Bodies including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the



Member and the securities can be delivered to the Member promptly on demand. The entities are as follows:

1. Depositories

- (a) Canada
  - The Canadian Depository for Securities Limited
  - Canadian Derivatives Clearing Corporation
  - WCE Clearing Corporation
- (b) United States
  - Depository Trust Company
  - Pacific Securities Depository Trust Company
  - Midwest Securities Trust Company
  - Stock Clearing Corporation of Philadelphia
  - Options Clearing Corporation

(c) Other Foreign

Foreign securities depositories or clearing agencies incorporated or organized under the laws of the foreign country and operating a central system for handling securities or equivalent book-based entries in that country and subject to enabling legislation by a central government authority in the country of operation that provides for compliance and powers of enforcement over its members. The SROs will maintain and regularly update a list of those foreign depositories or clearing agencies that comply with these criteria.

- 2. (a) Acceptable Institutions which in their normal course of business offer custodial security services; or  
(b) Subsidiaries of Acceptable Institutions provided that each such subsidiary, together with the Acceptable Institution, has entered into a custodial agreement with the member containing a legally enforceable indemnity by the Acceptable Institution in favour of the Member covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the Member and its clients at the subsidiary's location.
- 3. Acceptable Counterparties - with respect to security positions maintained as a book entry of securities issued by the Acceptable Counterparty and for which the Acceptable Counterparty is unconditionally responsible.
- 4. Banks and Trust Companies otherwise classified as Acceptable Counterparties - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).
- 5. Mutual Funds or their Agents - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.
- 6. Regulated entities.
- 7. Foreign institutions and securities dealers that satisfy the following criteria:
  - (a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Cdn. \$150 million as evidenced by the audited financial statements of such entity;
  - (b) in respect of which a foreign custodian certificate has been completed and signed in the prescribed form by the Member's board of directors or authorized committee thereof;provided that:
  - (c) a formal application in respect of each such foreign location is made by the Member to the relevant joint regulatory authority in the form of a letter enclosing the financial statements and certificate described above; and
  - (d) the Member reviews each such foreign location annually and files a foreign custodian certificate with the appropriate joint regulatory authority annually.

and such other locations which have been approved as acceptable securities locations by the Joint Regulatory Body having prime jurisdiction over the Member.

- (e) **"Basle Accord Countries"** means those countries that are members of the Basle Accord and those countries that have adopted the banking and supervisory rules set out in the Basle Accord. [The Basle Accord, which includes the regulating authorities of major industrial countries acting under the auspices of the Bank for International Settlements (B.I.S.), has developed definitions and guidelines that have become accepted standards for capital adequacy.] A list of current Basle Accord countries is included in the most recent list of Foreign Acceptable Institutions and Foreign Acceptable Counterparties.

- (f) ["broad based index" means an equity index whose underlying basket of securities is comprised of:](#)



1. thirty or more securities;
2. the single largest security position by weighting comprises no more than 20% of the overall market value of the basket of equity securities;
3. the average market capitalization for each security position in the basket of equity securities underlying the index is at least \$50 million;
4. the securities shall be from a broad range of industries and market sectors as determined by the Joint Regulatory Bodies to represent index diversification; and
5. in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange, as set out in the definition of “regulated entities” in the General Notes and Definitions.

(g) **“market value of securities”** means:

1. for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.
2. for unlisted and debt securities, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or based on a reasonable yield rate. Where not readily marketable, no market value shall be assigned.
3. for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.
4. for money market fixed date repurchases (no borrower call feature), the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.
5. for money market open repurchases (no borrower call feature), prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in 4. and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.
6. for money market repurchases with borrower call features, the market price is the borrower call price.

(h) **“regulated entities”** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are participating institutions in the Canadian Investor Protection Fund or members of recognized exchanges and associations. For the purposes of this definition recognized exchanges and associations mean those entities that meet the following criteria:

1. the exchange or association maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund;
2. the exchange or association requires the segregation by its members of customers’ fully paid for securities;
3. the exchange or association rules set out specific methodologies for the segregation of, or reserve for, customer credit balances;
4. the exchange or association has established rules regarding member firm and customer account margining;
5. the exchange or association is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member’s regulatory capital on an ongoing basis; and
6. the exchange or association requires regular regulatory financial reporting by its members.

A list of current recognized exchanges and associations is included in the most recent list of Foreign Acceptable Institutions and Foreign Acceptable Counterparties.

(i) **“settlement date - extended”** shall mean a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.

(j) **“settlement date - regular”** means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 business days past trade date, settlement date will be deemed to be 15 business days



past trade date. In the case of **new issue trades**, regular settlement date means the contracted settlement date as specified for that issue.



**AMENDMENTS TO Schedule 9 of Form 1**

**DATE:** \_\_\_\_\_

**SCHEDULE 9**

**PART II  
JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**

\_\_\_\_\_  
**(Firm Name)**

**CONCENTRATION OF SECURITIES**

*[excluding securities required to be in segregation or safekeeping & debt securities with a margin rate of 10% or less (see note 45)]*

<u>Description of Security</u>	<u>Client Position long/(short)</u>	<u>Firm's Own long/(short)</u>	<u>Unit Price</u>	<u>Market value</u>	<u>Effective Margin rate</u>	<u>Loan value Of securities</u>	<u>Adjustments in arriving at amount loaned</u>	<u>"Amount loaned"</u> <i>[note 89]</i>	<u>Amount Cleared within five business days</u>	<u>Adjusted Amount loaned</u>	<u>Concentration charge</u> <i>[note 910]</i>
<i>[note 56]</i>	<i>[note 67]</i>	<i>[note 78]</i>				<i>[note 2]</i>					

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B-26

*[see notes and instructions]*





## AMENDMENTS TO THE Notes and Instructions to Schedule 9 of Form 1

### SCHEDULE 9 NOTES AND INSTRUCTIONS

#### General

1. The purpose of this schedule is to disclose the largest ten issuer positions that are being relied upon for loan value whether or not a concentration charge applies. **If there are more than ten issuer positions where a concentration exposure exists, then all such issuer positions must be listed on the schedule.**
2. For the purpose of this schedule, an issuer position must include all classes of securities for an issuer (i.e. all long and short positions in equity, convertibles, debt or other securities of an issuer other than debt securities with a normal margin requirement of 10% or less) where:
  - loan value is being extended in a margin account, cash account, delivery against payment account, receipt against payment account; or
  - an inventory position is being held.
3. Securities that are required to be in segregation or safekeeping should not be included in the issuer position. Securities that have been segregated but are not required to be can still be relied on by the Member for loan value and must be included in the issuer position.
4. For the purpose of this schedule, an amount loaned exposure to “broad based index” (as defined in the General Notes and Definitions) positions may be treated as an amount loaned exposure to each of the individual securities comprising the index basket. These amount loaned exposures may be reported by breaking down the broad based index position into its constituent security positions and adding these constituent security positions to other amount loaned exposures for the same issuer to arrive at the combined amount loaned exposure.  
To calculate the combined amount loaned exposure for each index constituent security position held, sum
  - a. the individual security positions held, and
  - b. the constituent security position held.[For example, if ABC security has a 7.3% weighting in a broad based index, the number of securities that represents 7.3% of the value of the broad based index position shall be reported as the constituent security position.]
5. For the purpose of this schedule only, stripped coupons and residuals, [if they are held on a book based system, and are in respect of federal and provincial debt instruments], should be margined at the same rate as the underlying security.
- ~~5.6.~~ For short positions, the loan value is the market value of the short position.

#### Client position

- ~~6.7.~~ (a) Client positions are to be reported on a **settlement date basis** for client accounts including positions in margin accounts, regular cash accounts [when any transaction in the account is outstanding after settlement date] and delivery against payment and receipt against payment accounts [when any transaction in the account is outstanding after settlement date]. Within each client account, security positions that qualify for a margin offset may be eliminated.
- (b) Positions in delivery against payment and receipt against payment accounts with Acceptable Institutions, Acceptable Counterparties, or Regulated Entities resulting from transactions that are outstanding less than ten business days past settlement date are not to be included in the positions reported. If the transaction has been outstanding ten business days or more past settlement **and** is not confirmed for clearing through an Acceptable Clearing Corporation or not confirmed by the Acceptable Institution, Acceptable Counterparty or Regulated Entity, then the position must be included in the position reported.

#### Firm's own position

- ~~7.8.~~ (a) Firm's own inventory positions are to be reported on a trade date basis, including new issue positions carried in inventory twenty business days after new issue settlement date. All security positions that qualify for a margin offset may be eliminated.
- (b) The amount reported must include uncovered stock positions in market-maker accounts.



## Amount Loaned

8-9. The client and firm's own positions reported are to be determined based on the combined client/firm's own long or short position that results in the largest amount loaned exposure.

- (a) To calculate the combined amount loaned on the long position exposure, combine:
- the loan value of the gross long client position (if any) contained within client margin accounts;
  - the weighted market value (calculated pursuant to the weighted market value calculation set out in Schedule 4, Note 9, Cash Accounts Instruction (a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, Note 9, Cash Accounts Instruction (b)) of the gross long client position (if any) contained within client cash accounts;
  - the market value (calculated pursuant to the market value calculation set out in Schedule 4, Note 9, DAP and RAP Accounts Instruction (a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, Note 9, DAP and RAP Accounts Instruction (b)) of the gross long client position (if any) contained within client delivery against payment accounts; and
  - the loan value (calculated pursuant to the Notes and Instructions to Schedule 2) of the net long firm's own position (if any).
- (b) To calculate the combined amount loaned on the short position exposure, combine
- the market value of the gross short client position (if any) contained within client margin, cash and receipt against payment accounts; and
  - the market value of the net short firm's own position (if any).
- (c) If the loan value of an issuer position (net of issuer securities required to be in segregation/safekeeping) does not exceed one-half (one-third in the case of an issuer position which qualifies under either Note 910(a) or 910(b) below) of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) as most recently calculated, the completion of the column titled "Adjustments in arriving at Amount Loaned" is optional. However, nil should be reflected for the concentration charge.
- (d) In determining the amount loaned on either a long, or short position exposure, the following adjustments may be made:
- (i) Security positions that qualify for a margin offset may be excluded, as previously discussed in notes 67(a) and 78(a);
  - (ii) Security positions that represent excess margin in the client's account may be excluded. (Note if the starting point of the calculations is securities not required to be in segregation/safekeeping, this deduction has already been included in the loan value calculation of Column 6.);
  - (iii) In the case of margin accounts, 25% of the market value of long positions in any: (a) non-marginable securities or, (b) securities with a margin rate of 100%, in the account may be deducted from the amount loaned calculation, provided that such securities are carried in readily saleable quantities only;
  - (iv) In the case of cash accounts, 25% of the market value of long positions in any securities whose market value weighting is 0.000 (pursuant to Schedule 4, Note 9, Cash Accounts Instruction (a)) in the account may be deducted from the amount loaned calculation, provided that such securities are carried in readily saleable quantities only;
  - (v) The amount loaned values of trades made with financial institutions that are not Acceptable Institutions, Acceptable Counterparties or Regulated Entities, if the trades are outstanding less than 10 business days past settlement date, and the trades were confirmed on or before settlement date with a settlement agent that is an Acceptable Institution may be deducted from the amount loaned calculation; and
  - (vi) Any security positions in the client's (the "Guarantor") account which are used to reduce the margin required in another account pursuant to the terms of a guarantee agreement shall be included in calculating the amount loaned on each security for the purposes of the Guarantor's account.
- (e) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.

## Concentration Charge

- 9-10. (a) Where the Amount Loaned reported relates to securities issued by
- (i) the Member, or



- (ii) a company, where the accounts of a Member are included in the consolidated financial statements and where the assets and revenue of the Member constitute more than 50% of the consolidated assets and 50% of the consolidated revenue, respectively, of the company, based on the amounts shown in the audited consolidated financial statements of the company and the member for the preceding fiscal year and the total Amount Loaned by a Member on such issuer securities exceeds one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.
- (b) Where the Amount Loaned reported relates to non-marginable securities of an issuer held in a cash account(s), where loan value has been extended pursuant to the weighted market value calculation set out in Schedule 4, Note 9, and the total Amount Loaned by a Member on such issuer securities exceeds one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.
- (c) Where the Amount Loaned reported relates to arm's length marginable securities of an issuer (i.e., securities other than those described in note [910\(a\)](#), or [910\(b\)](#)), and the total Amount Loaned by a Member on such issuer securities exceeds two-thirds of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over two-thirds of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.
- (d) Where:
  - (i) The Member has incurred a concentration charge for an issuer position under either note [910\(a\)](#) or [910\(b\)](#) or [910\(c\)](#); or
  - (ii) The Amount Loaned by a Member on any one issuer (other than issuers whose securities may be subject to a concentration charge under either Note [910\(a\)](#) or [910\(b\)](#) above) exceeds one-half of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated; **and**
  - (iii) The Amount Loaned on any **other issuer** exceeds one-half (one-third in the case of issuers whose securities may be subject to a concentration charge under either Note [910\(a\)](#) or [910\(b\)](#) above) of the sum of Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4); **then**
  - (iv) A concentration charge on such other issuer position of an amount equal to 150% of the excess of the Amount Loaned on the **other issuer** over one-half (one-third in the case of issuers whose securities may be subject to a concentration charge under either Note [910\(a\)](#) or [910\(b\)](#) above) of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the security(ies) for which such charge is incurred.
- (e) For the purpose of calculating the concentration charges as required by notes [910\(a\)](#), [910\(b\)](#), [910\(c\)](#) and [910\(d\)](#) above, such calculations shall be performed for the largest five issuer positions by Amount Loaned in which there is a concentration exposure.

#### Other

- ~~10.11.~~ (a) Where there is an over exposure in a security and the concentration charge as referred to above would produce either a capital deficiency or a violation of the Early Warning Rule, the Member must report the over exposure situation to the appropriate Joint Regulatory Body on the date the over exposure first occurs.



- (b) A measure of discretion is left with the Joint Regulatory Bodies in dealing with the resolution of concentration situations, particularly as regards to time requirements for correcting any over exposure, as well as whether securities are carried in “readily saleable quantities”.