

IIROC NOTICE

Rules Notice
Guidance Note
Dealer Member Rules

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Equity Margin Project – Timelines and Margin Rate File

This Notice provides details on the timelines and the margin rate file regarding the Phase 2 implementation of the new methodology for margining equity securities (the Equity Margin Project). Information regarding Phase 1 is provided in IDA Bulletin No. 3669 and IDA Member Regulation Notice MR0491, each dated September 12, 2007.

Prior to the effective Phase 2 implementation date, which is scheduled for July 2009, there will be two periods (a preparation period and an official test period) for Dealer Members and their service providers to make the necessary changes to their systems, test and determine the potential impact of the new margin rates and communicate any concerns to the Investment Industry Regulatory Organization of Canada (IIROC). A summary of the timelines is included in Table 1 below.

The new methodology for margining equity securities will apply to securities listed (other than bonds and debentures) on any recognized exchange in Canada or the U.S. Margin rates for these securities will normally be made available to Dealer Members and their service providers via an electronic margin rate file after the end of each calendar quarter.



Timelines

Preparation period (June 2008 – December 2008)

The purpose of the preparation period is to allow Dealer Members and service providers time to make the necessary changes to their systems so that they will be able to use the margin rates in the margin rate file. The first margin rate file (2008 Q2) will be made available to Dealer Members and service providers during the week of June 23, 2008. The second file (2008 Q3) will be made available three weeks after the last Friday in Q3.

Official test period (January 2009 – June 2009)

The purpose of the official test period is to allow Dealer Members and service providers to test and determine the potential impact of the new margin rates on their operations and business, and communicate any concerns to IIROC. Based on the concerns raised, if any, IIROC will decide whether to proceed with making the Phase 2 implementation effective in July 2009 or extend the test period.

Effective Phase 2 Implementation (July 2009)

Phase 2 implementation of the Equity Margin Project, which will include the necessary rule amendments and new margin rates, will be made effective in July 2009, provided there are no material findings from the preparation and official test periods. Similar to what is currently done for the List of Securities Eligible for Reduced Margin, a Notice will be issued, informing Dealer Members and the public of the new margin rates, and Dealer Members will have the normal ten business days following the issuance date of the Notice before the new margin rates become effective for regulatory purposes.

Table 1: Summary of timelines

<ul style="list-style-type: none">➤ Preparation period (June 2008 – December 2008)<ul style="list-style-type: none">▪ 2008 Q2 – 1st margin rate file▪ 2008 Q3 – 2nd margin rate file
<ul style="list-style-type: none">➤ Official test period (January 2009 – June 2009)<ul style="list-style-type: none">▪ 2008 Q4 – 3rd margin rate file▪ 2009 Q1 – 4th margin rate file
<ul style="list-style-type: none">➤ Effective Phase 2 Implementation (July 2009)<ul style="list-style-type: none">▪ 2009 Q2 – 5th margin rate file



Margin rate file

The margin rate file will be a table driven electronic file that Dealer Members and service providers will be able to download from a specified Web site, and will contain eight data elements for each security. The margin rate file's format is a text (tab delimited) file and the eight data elements in the margin rate file are as follows:

1. ISIN (International Securities Identifying Number)
2. Security Name
3. Market (the market or exchange the security is listed on)
4. Symbol (the market or exchange symbol for the security)
5. Long margin rate for Dealer Members (minimum margin rate when the security is long)
6. Short margin rate for Dealer Members (minimum margin rate when the security is short)
7. Long margin rate for customers (minimum margin rate when the security is long)
8. Short margin rate for customers (minimum margin rate when the security is short)

Another margin rate file with the CUSIP security identifier as an additional data element may be made available, subject to a cost, to those Dealer Members and service providers that are interested in receiving it. IIROC is currently awaiting the cost information about the CUSIP security identifier from CDS Innovations Inc., and will update interested Dealer Members and service providers accordingly.

With the exception of the 1st margin rate file, the margin rate file will normally be made available to Dealer Members and service providers quarterly, three weeks after the last Friday of each quarter.

Contact and submission information request

1. Each Dealer Member and service provider that would like to obtain the margin rate file for preparation and official test purposes must provide IIROC with their representative's name and contact information (telephone number and e-mail address).
2. IIROC will provide each Dealer Member's and service provider's representative with a unique username and password and the Web site address where the representative can access and download the margin rate file. If access to the Web site is unavailable, IIROC will compress and e-mail the margin rate file to each representative.
3. For Dealer Members and service providers that have not already indicated their interest in receiving the cost information about the CUSIP security identifier as an additional data element, please contact IIROC so that we can provide you with the information when we receive it from CDS Innovations Inc.
4. During the preparation period and official test period, each Dealer Member and service provider is encouraged to submit any concerns to IIROC in writing as early as possible and not wait until the end of the official test period.



The IIROC contact for these requests is Anwerd Ramcharan who can be reached at 416.943.5850 or at aramcharan@iiroc.ca.

IIROC Rules referenced in this Notice:

Dealer Member Rule 100