

# 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  
Trading Desk  
Training

*Contact:*

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**09-0041**  
**February 5, 2009**

## **Approved inter-dealer bond brokers – Amendments to IIROC Dealer Member Form 1**

The IIROC Board of Directors has approved and confirmed the attached amendments to the Notes and Instructions to Schedule 5 of Form 1. The amendments are effective February 23, 2009.

The objective of the amendments is to adopt a more efficient approach for updating the list of approved inter-dealer bond brokers. Specifically, the amendments will delete the list of inter-dealer bond broker names that is set out in Note 7 of the Notes and Instructions to Schedule 5 of Form 1 and instead refer to the list of approved inter-dealer bond brokers. This list will be published by IIROC and Bourse de Montréal as regulatory notices and will also be available on the Supporting Schedules section of IIROC's website.



## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

### AMENDMENTS TO THE NOTES AND INSTRUCTIONS TO SCHEDULE 5 OF FORM 1

#### “SCHEDULE 5 NOTES AND INSTRUCTIONS

1. This schedule is only to include ordinary security trading transactions. All security borrowing or lending transactions should be disclosed on Schedules 1 or 7.
2. Lines 1, 2, 3 and 4 where applicable - Balances may be reported on a "net" basis (broker by broker) or on a "gross" basis. Balances with a broker or dealer must not be netted against those with its affiliated company.
3. Line 1 - For definition, see General Notes and Definitions. Margin on such balances should be provided as follows:
  - (i) Trades settling through a Net Settlement system should be treated as if the other party to the trade was an Acceptable Institution. For example, CNS balances with CDS, and CNS balances with National Securities Clearing Corporation.
  - (ii) All transactions done through CDS outside of the CNS system should be treated as if with a single counterparty to be classified as an Acceptable Counterparty (even if some or all of the other parties qualify as an Acceptable Institution).
  - (iii) Other trades settling on a transaction by transaction basis should be treated as if they were to be settled directly with the other party to the trade. For example, balances arising from trades settled through National Securities Clearing Corporation's Netted Balance Order or Trade-for-Trade Services, and balances arising from trades settled through Euroclear and Cedel.
4. Line 2 - This line is not to include non-arms' length transactions which are to be reported on line 3. For definition of Regulated Entities, see General Notes and Definitions. Margin on balances with Regulated Entities must be provided as follows:
  - (i) In the case of a regular settlement date transaction in the account of a Regulated Entity the amount of margin to be provided, commencing on regular settlement date, shall be the equity deficiency of (a) the net market value of all settlement date security positions in the broker's accounts, and (b) the net money balance on a settlement date basis in the same accounts. In the case of an extended settlement date transaction between a Member and a Regulated Entity, commencing on regular settlement date the position shall be marked to market if the original term of the extended settlement transaction is 30 days or less, otherwise the position should be margined at applicable rates.
  - (ii) Any transaction which has not been confirmed by a Regulated Entity within 15 business days of the trade date shall be margined.
5. Line 3(a) - Margin must be provided as outlined for Regulated Entities in note 4 above.
6. Line 3(b) - If the affiliated/related company qualifies as a Regulated Entity, then margin must be provided as outlined for Regulated Entities in note 4 above.

If the affiliated/related company qualifies as an Acceptable Counterparty, then margin must be provided in the manner outlined in Schedule 4 Notes and Instructions for Acceptable Counterparties.

If neither of the above, then margin must be provided in the manner outlined in Schedule 4 Notes and Instructions for regular clients' accounts.
7. Line 4 (a) - All balances must be margined in the same way as accounts of Acceptable Counterparties (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, options and short sale deposits should also be reported on this line. This line should also include balances with approved inter-dealer bond brokers. ~~The following are approved:~~

[Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by IIROC and Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice.](#)



- ~~Cantor Fitzgerald Partners~~
- ~~Cowen & Company~~
- ~~Euro Brokers Canada Ltd.~~
- ~~Exco Shorcan Limited~~
- ~~Freedom International Brokerage Inc.~~
- ~~Garban Canada~~
- ~~M.W. Marshall Securities (Canada) Limited~~
- ~~Prebon Yamane (Canada) Limited~~
- ~~Tullet & Tokyo Securities (Canada) Limited~~

8. Line 4(b) - All balances must be margined in the same way as regular clients' accounts (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, options and short sale deposits should also be reported on this line. This line should also include balances with inter-dealer bond brokers which are not on the [list of approved inter-dealer bond brokers](#).
9. Line 5 - This line is to include balances arising from mutual fund redemptions or purchase transactions. All balances must be margined in the same way as accounts of Acceptable Counterparties, or as regular client accounts."