

# IIROC NOTICE

## **Rules Notice Guidance Note**

*Dealer Member Rules*

*Please distribute internally to:*

Internal Auditor  
Legal and Compliance  
Operations  
Retail  
Senior Management

*Contact:*

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## **Important Amendments to Quebec Legislation affecting Margin Accounts**

### **Background**

The Quebec Act respecting the Transfer of Securities and the Establishment of Security Entitlements (Act) came into force on January 1, 2009. The Act amends certain provisions of the Civil Code of Quebec which establishes the mechanism for affecting a security interest in securities and other types of financial assets held in individuals' margin accounts.

January 16<sup>th</sup>, 2009, amendments to Regulation respecting the register of personal and movable real rights (Regulation) came into force. The purpose of the amendments is to exclude the application of the Act on pledged securities in individuals' margin accounts.

### **Implication of the Act and Regulation**

IIROC understands that amendments to the Regulation that come into force on January 16th, 2009 mean:

**Arrangements that occurred before January 1<sup>st</sup> 2009:** The amendments to the Regulation retain the status quo for a pledge in an individual's margin account that



occurred before January 1<sup>st</sup>, 2009. This means there is no need to obtain the physical certificate or to register the security in the *Register of personal and movable real rights* (RPMRR) to get a valid pledge.

**Arrangements that occurred between January 1<sup>st</sup> 2009 and January 16<sup>th</sup>, 2009:**

The amendments are not retroactive for pledged security transactions that occurred between January 1<sup>st</sup>, 2009 and when the amendments to the Regulation come in force. This lack of retroactivity means that in order to have a valid pledge on loans made in individuals' margin accounts between January 1<sup>st</sup>, 2009 and January 16<sup>th</sup>, 2009, Dealer Members will need to obtain the physical certificate or register the pledged securities in the RPMRR.

**Arrangements that occurred after January 16<sup>th</sup>, 2009:** The amendments to the Regulation retain the status quo for a pledge in an individual's margin account that occurred after January 16<sup>th</sup>, 2009. This means there is no need to hold the physical certificate or to register the security in the RPMRR to secure a valid pledge.

Members should be aware of the Act and the amendments to the Regulation and consider how its scope affects those transactions. We attach to this Notice a copy of the [\*\*Regulation amending the Regulation respecting the Register of personal and movable real rights\*\*](#).

### **IIROC Regulatory Position**

For pledged security transactions that occurred in an individual's margin account **between January 1<sup>st</sup>, 2009 and January 16<sup>th</sup>, 2009**, IIROC allows Dealer Members to continue providing regulatory loan value to these securities in the absence of registering the securities in the RPMRR, or obtaining physical certificates. Member firms should review transactions that have occurred in individuals' margin accounts during this period and determine how they will comply with this Quebec legislation.