



April 17, 2015

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Manager, Market Regulation
Ontario Securities Commission
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Dear Mr. Grossman:

Re: IIROC Notice 14-0298 – Request for Comment – Proposed Amendments to Dealer Member Rules 100 and 1200 and to Form 1 relating to the client free credit cash usage limit, client free credit segregation requirements, and securities concentration test

We are writing on behalf of RBC Dominion Securities Inc. (“RBC DS”) and RBC Direct Investing Inc. (“RBC DI”) in response to the request for comments issued by IIROC on proposed amendments to the client free credit usage limit and related segregation requirements along with the securities concentration test. Our comments on the proposed amendments are outlined below.

1. Client Free Credit Cash Usage Limit

We concur with IIROC that the client free credit cash usage limit should be based on a liquid capital measure to best manage the risk of Dealer Members overleveraging business activities through the use of unencumbered client cash or free credits. However, we are of the view that using early warning reserve (“EWR”) to set the limit is overly restrictive as the EWR is based on Risk Adjusted Capital (RAC), which is already a stressed metric for liquid capital.

The RAC calculation inherently captures capital reserve requirements related to all forms of liquidity risk (i.e., market risk, credit risk and operational risk). The objective of the EWR which has additional stresses built into it is to provide advance warning of a Dealer member experiencing any financial difficulty to effectively prevent further deterioration. Carrying over these additional stresses for the determination of the free credit cash usage limit, the purpose of which is to limit excess leveraging of client free credits by Dealer members would be overly restrictive as RAC by design is a fair representative of liquid capital.

Hence, we would request that IIROC consider using RAC as the basis for the free credit cash usage limit instead of EWR to strike the proper balance between setting a limit based on a liquid form of capital and managing Dealer usage of client free credits for principal business activities.

2. Securities Concentration Test

As acknowledged by IIROC in its notice (“technological implications and implementation plan” section), a reasonable transition period to adopt the amendments would be appreciated given that system enhancements will be required to capture the changes in the impacted debt securities.

We appreciate the opportunity to comment on the proposal. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,

“Nadine Ahn”

Nadine Ahn, Chief Financial Officer
RBC Dominion Securities Inc.
RBC Direct Investing Inc.