IIROC NOTICE

Rules Notice
Request for Comments
Dealer Member Rules

Comments Due By: October 26, 2016

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16-0177
July 28, 2016

Amendments to facilitate the investment industry's move to T+2 settlement

Executive Summary

On June 29, 2016, the Board of Directors (the Board) of IIROC approved the publication for comment of the proposed amendments to IIROC's Universal Market Integrity Rules (UMIR), Dealer Member Rules (DMR) and Form 1 (collectively, the Amendments) regarding the investment industry's move from a trade date plus three business days (T+3) settlement cycle to a trade date plus two business days (T+2) settlement cycle.

The primary objective of the Amendments is to ensure that IIROC's requirements support the investment industry's move to T+2 settlement at the same time as the U.S., which is scheduled for September 5, 2017.

Impacts

Dealer Members are expected to benefit from a shorter settlement cycle and a continued harmonized settlement cycle with the U.S.

We believe that the Amendments will have no material impact in terms of capital market structure, competition generally, cost of compliance and conformity with other rules. The Amendments do not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. They do not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes. However, there will be technological implications for Dealer Members as a result of the Amendments.

How to Submit Comments

Comments are requested on all aspects of the Amendments, including any matter which they do not specifically address. Comments on the Amendments should be in writing and delivered by **October 26, 2016** to:

Answerd Ramcharan
Manager, Financial Information, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9
email: aramcharan@iiroc.ca

A copy should also be provided to the Recognizing Regulators by forwarding a copy to:

Market Regulation
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
e-mail: marketregulation@osc.gov.on.ca

Commenters should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iiroc.ca.

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1. Discussion of Amendments

1.1 Relevant background

In 1995, Canada and the U.S. shortened the settlement cycle at the same time for most debt and equity securities from T+5 to T+3, in response to financial events in 1987 and 1990. In 2017, Canada and the U.S. plan to shorten the settlement cycle from T+3 to T+2. This is a U.S.-led initiative in North America following the shortening of the settlement cycle to T+2 in Europe, Hong Kong, Australia, and New Zealand.[1] The move to T+2 settlement is intended to reduce systemic risk and inefficiencies in the investment industry, and is in response to the financial events in 2008[2].

It is important that Canada's settlement cycle continue to be harmonized with the U.S. settlement cycle, because of the close connections between our capital markets such as inter-listed securities. The scheduled date for the move to T+2 is September 5, 2017. The Canadian Capital Markets Association (CCMA) is coordinating the move to T+2 in Canada across the key investment industry stakeholders. IIROC participates on the CCMA Board, the T+2 Steering Committee and the Legal and Regulatory Working Group (LRWG).

In consultation with the CCMA's LRWG, IIROC's Financial Administrators Section (FAS) advisory committees, and FAS T+2 Working Group, we identified the current rules (including Form 1) that require amending in order to move to T+2.

1.2 Current rules

To identify required amendments, we reviewed the 15 Dealer Member standard agreements, UMIR, DMR, and Form 1.

Standard agreements and recommendation to Dealer Members

The 15 standard agreements are:

(1) Bank of Canada - Term Purchase and Resale Agreement

(2) Limited Recourse Call Loan Agreement

(3) Custodial Agreement (General)

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1 In October 2014, 23 European Union (EU) member states and Hong Kong moved to T+2 settlement. In March 2016, Australia and New Zealand moved to T+2 settlement.

2 For more information, see U.S. T+2 Industry Implementation Playbook (12/18/2015) at http://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf.

(4) Cross Guarantee Agreement (by Members and Related Companies)

(5) Custodial Agreement (Non-Certificated Debt Instruments)

(6) Type 1 Introducer/Carrier Broker Agreement

(7) Type 2 Introducer/Carrier Broker Agreement

(8) Type 3 Introducer/Carrier Broker Agreement

(9) Type 4 Introducer/Carrier Broker Agreement

(10) Subordinated Loan Agreement

(11) Securities Loan Agreement (with Set-Off)

(12) Securities Loan Agreement (without Set-Off)

(13) Repurchase/Reverse Repurchase Transaction Agreement (Principal Arrangement)

(14) Mutual Fund Bare Trustee Agreement

(15) New Issue Loan Master Agreement

Although, we did not identify any required amendments to the clauses within the standard agreements, we recommend that Dealer Members review their executed agreements and accompanying schedules, to determine whether they may have instructions, delivery or payment obligations, and interest calculations that are dependent on or specific to a T+3 settlement cycle.

UMIR, DMR, and Form 1

We identified one rule within UMIR, nine rules within DMR, and two notes within Form 1 that require amendments for the move to T+2, which we have grouped into nine areas described in section 1.3.

1.3 Proposed rules

The following is a summary of the Amendments, which are shown as black-lined changes in Appendix A:

(1) Definition of "Special Terms Order", Part 1 - Definitions and Interpretation UMIR 1.1-30, regarding the purchase or sale of a security

- The definition of Special Terms Order sets out the circumstances in which an order for the purchase or sale of a security is considered to be a Special Terms Order. One of the circumstances is where the order would be settled on a date other than "the third business day following the date of the trade".

We have changed "the third business day following the date of the trade" to "the second business day following the date of the trade" to reflect the move to a T+2 settlement cycle. *[Appendix A: Item 1]*

(2) Treatment of monetary assets and liabilities as spot positions regarding foreign exchange margin requirements

- For foreign exchange margin requirements, monetary assets and liabilities are treated as spot positions if they have a term to maturity of 3 days or less. Spot risk margin is required for spot positions, but since these positions are not considered to have term risk, term risk margin and the related term risk weighting factor do not apply to them.

  For monetary assets and liabilities to be treated as spot positions, we have changed the term to maturity condition to 2 business days or less, because:

  - the currency spot position is related to the T+3 settlement cycle for securities as Dealer Members use currency spot positions to hedge their cash-on-delivery (COD) security transactions that are currently on a T+3 settlement cycle
  - the use of "business days" reflects that these positions (with such a short term to maturity) are considered to have insignificant term risk even if their calendar-day term to maturity includes a weekend and/or another non-business day (e.g. a statutory holiday). *[Appendix A: Items 2, 3, 11 and 12]*

(3) Margin requirements for when issued trading of new and additional issues

- The margin requirements for when issued trading of new and additional issues (Dealer Member Rule 100.19) set out when margin must be posted on the resulting positions related to the trading of these issues. These positions are short, hedged, sales on a when issued basis for settlement in the regular market, or purchases. For these positions, margin must be posted on the third settlement day after the trade date, or in the case of purchases on the third settlement day after the trade date or the date of issuance or distribution of the security.

  We have changed when margin must be posted to the second settlement day after the trade date, or in the case of purchases on the second settlement day after the trade date or the date of issuance or distribution of the security to reflect the move to a T+2 settlement cycle. *[Appendix A: Item 4]*

(4) The stopping of accrued interest for regular delivery of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than 3 years, and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including mortgage-backed securities[3]

- The trading and delivery rule (Dealer Member Rule 800.27(c)) requires that all transactions follow the regular delivery terms, unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing. Part (c) of this rule sets out the regular delivery terms for Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than 3 years, and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including mortgage-backed securities. The rule requires that interest stops accruing, where applicable, on the third clearing day after the transaction takes place.

  The stopping of accrued interest on the third clearing day after the transaction takes place is directly related to settlement on T+3 and as a result, we have changed the stopping of accrued interest to the second clearing day after the transaction takes place for settlement on T+2. *[Appendix A: Item 6]*

(5) Determining whether dealings in bonds and/or debentures that are available only in registered form are on an "and interest" or a "less interest" basis

- For bonds and/or debentures that are available only in registered form, the trading and delivery rule (Dealer Member Rule 800.33) sets out the requirements for dealings in these securities to be on an "and interest" or a "less interest" basis.

  For dealings to be on an "and interest" basis, dealings must be made from two days prior to a regular interest payment up to three days prior to the closing of the transfer books for the next interest payment, both days inclusive, and delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment. We have changed the rule to "one business day prior to a regular interest payment up to two business days prior to the closing of the transfer books for the next interest payment", because they appear to be directly related to the T+3 settlement cycle, which will be shortened to T+2. In

[3] Mortgage-backed securities are subject to additional requirements in Dealer Member Rule 800.27(f).

addition, we believe the term “business day” is more appropriate to use than “day” and have made this change.

For dealings to be on a “less interest” basis, dealings must be made from two days prior to the closing of the transfer books up to and including three days prior to a regular interest payment. We have changed the rule to “one business day prior to the closing of the transfer books up to and including two business days prior to a regular interest payment”, because they appear to be directly related to the T+3 settlement cycle, which will be shortened to T+2. In addition, we believe the term “business day” is more appropriate to use than “day” and have made this change. *[Appendix A: Item #8]*

(6) Determining when unlisted registered shares are to be traded ex dividend, ex rights, or ex payments

- For unlisted registered shares, the trading and delivery rule (Dealer Member Rule 800.34) sets out the requirement that they are to be traded ex dividend, ex rights, or ex payments two full business days prior to record date. We have changed the rule to “one business day prior to record date”, because it is directly related to the T+3 settlement cycle, which will be shortened to T+2. *[Appendix A: Item #9]*

(7) Determining the settlement date for when issued trades

- For when issued trades, the trading and delivery rule (Dealer Member Rule 800.47) sets out specific settlement date requirements, unless otherwise provided by IIROC or the parties to the trade by mutual agreement.

  For when issued trades made prior to the second trading day before the anticipated date of issue of the security, they must be settled on the anticipated date of issue of such security. We have changed the “second trading day before the anticipated date of issue” to “first trading day before the anticipated date of issue”, because we believe the requirement is directly related to the T+3 settlement cycle, which will be shortened to T+2.

  For when issued trades on or after the second trading day before the anticipated date of issue of the security, they must be settled on the third settlement day after the trade date. We have changed the “second trading day before the anticipated date of issue” to “first trading day before the anticipated date of issue”, and “the third settlement day after the trade date” to “the second settlement day after the trade date”, because we believe the requirement is directly related to the T+3 settlement cycle, which will be shortened to T+2. *[Appendix A: Item #10]*

(8) The definition of a commitment period for a mortgage-backed security (MBS) trade

- For a MBS trade, the trading and delivery rule (Dealer Member Rule 800.27(f)) sets out the delivery requirement for a MBS trade that is made during a commitment period and it also defines the term "commitment period". It is defined as "the period from the third clearing day before month-end to the first clearing day on or before the eleventh calendar day of the following month, inclusive." We have changed the "third clearing day before month-end" to the "second clearing day before month-end" and also changed the "eleventh calendar day before month-end" to the "twelfth calendar day before month-end", because the period appears to be directly related to the T+3 settlement cycle, which will be shortened to T+2. *[Appendix A: Item #7]*

(9) Determining when a preliminary trade confirmation must be sent for a MBS trade

- For a MBS trade, the trade confirmation rule (Dealer Member Rule 200.2(l)(iv)) sets out when a preliminary trade confirmation must be sent. It currently requires that a preliminary trade confirmation be sent for a MBS trade "entered into from the third clearing day before month end to the fourth clearing day of the following month, inclusive". We have changed this requirement to "entered into from the second clearing day before month end to the fifth clearing day of the following month, inclusive", because the period appears to be directly related to the T+3 settlement cycle, which will be shortened to T+2. *[Appendix A: Item #5]*

2. Analysis

2.1 Issues and alternatives considered

Two alternatives were considered, namely: (1) to continue to use the current requirements for a T+3 settlement cycle; and (2) to make the amendments to facilitate the industry's move to a T+2 settlement cycle.

We selected the second alternative, because it is important that Canada's settlement cycle continue to be harmonized with the U.S. settlement cycle as the two country's capital markets are closely connected. In addition to being harmonized with the U.S. settlement cycle, the move to T+2 is expected to provide significant benefits[4] to the industry, including the following:

(1) Counterparty risk reduction

(2) Operational process efficiencies

(3) Potentially lower collateral requirements

(4) Enhanced global settlement synchronization.

Canada and the U.S. share one of the most advanced cross-border securities linkages in the world between The Canadian Depository for Securities Limited (CDS), Canada's national securities depository, and the Depository Trust & Clearing Corporation (DTCC) in the U.S. These linkages process several million transactions per year.[5] Consequently, and as indicated in the November 2000 Charles River Associates study[6], if Canada's settlement cycle is not harmonized with the U.S. settlement cycle, there will be disruptions, distortions, and dislocation of this securities business. That study highlighted that about 40% of trades on Canadian stock exchanges are inter-listed securities (i.e., a single security is listed on both a Canadian and a U.S. exchange) and Canada-U.S. cross-border transactions make up nearly 25% of the millions of trades processed annually through CDS.[7]

2.2 Comparison with similar provisions

The move to a T+2 settlement cycle will align Canada with the U.S. capital markets and other major international capital markets that have already moved to a T+2 settlement cycle. These international capital markets include 23 European Union (EU) member states, Hong Kong, Australia, and New Zealand. The EU member states include Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Norway, Portugal, Slovakia, Sweden, Switzerland, the Netherlands, and the United Kingdom. [8] The EU member states and Hong Kong moved to a T+2 settlement cycle in October 2014. In addition, Australia and New Zealand moved to a T+2 settlement cycle in March 2016.

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4 For more information, see U.S. T+2 Industry Implementation Playbook (12/18/2015) at http://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf.

5 CDS news release on July 18, 2001 regarding the U.S. expected move to T+1 in June 2004.

6 This study is titled *Free-Riding, Under-investment and Competition: The Economic Case for Canada to Move to T+1* and was prepared for the CCMA and published on November 10, 2000.

7 The CCMA's Frequently Asked Questions webpage at http://ccma-acmc.ca/en/faq/.

8 For more information, see U.S. T+2 Industry Implementation Playbook (12/18/2015) at http://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf.

3. Impacts of the Amendments

Dealer Members are expected to benefit from a shorter settlement cycle and a continued harmonized settlement cycle with the U.S.

We believe that the Amendments will have no material impact in terms of capital market structure, competition generally, cost of compliance and conformity with other rules. The Amendments do not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. They do not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes. However, there will be technological implications for Dealer Members as a result of the Amendments.

Technological implications and implementation plan

The Amendments will have an impact on Dealer Members' systems, their service providers' and other stakeholders' systems. As such, we intend to implement the Amendments at the same time as the U.S., which is scheduled for September 5, 2017, following industry readiness testing and assessment results in Canada and the U.S., and after IIROC receives approval from its recognizing regulators.

For T+2 in Canada, the CCMA is communicating, educating, and coordinating cross-capital-markets projects that involve:

(1) key securities infrastructure, such as the Canadian Depository for Securities (CDS), FundServ, and exchanges

(2) dealers, custodians, mutual fund manufacturers, asset managers, and their associations

(3) back-office service providers and vendors

(4) regulators.

Recently, the CCMA conducted its first T+2 readiness survey in order to: find out where firms believe they are in terms of the T+2 project; provide a baseline against which to measure future industry progress; help educate industry players; and help effectively plan the direction of future CCMA industry efforts. In addition, it had published for comment a preliminary T+2 asset list that it believes sets out all the asset types in Canada and whether they are expected to be impacted by the move to a T+2 settlement cycle. On July 18, 2016, it republished a final version of the list.

4. Policy Development Process

4.1 Regulatory purpose

The Amendments are intended to:

- *establish and maintain rules that are necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity*
- *foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities*
- *promote the protection of investors.*

In deciding to propose the Amendments, IIROC identified that there was a need to ensure that the Canadian investment industry is able to move to T+2 settlement at the same time as the U.S.

This need was assessed as being in the public interest and not detrimental to the best interests of the capital markets. As a result, the Board has classified the Amendments as a Public Comment Rule proposal that is not contrary to the public interest.

4.2 Rule making process

IIROC, the CCMA LRWG, and the FAS T+2 Working Group identified the current rules that require amendments in order to move from a T+3 to T+2 settlement cycle. IIROC developed the Amendments and consulted with the IIROC policy advisory committees (the FAS Capital Formula Subcommittee, the FAS Operations Subcommittee, and the full FAS). The full FAS recommended the Amendments for approval.

5. Appendices

Appendix A - Black-line comparison of the Amendments to current rules and Form 1

Appendix B - Clean copy of the Amendments

Appendix C - Black-line comparison of the proposed plain language version of the Amendments to the most recently published proposed plain language rules

Appendix A

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT

BLACK-LINE COMPARISON OF AMENDMENTS TO CURRENT RULES AND FORM 1

1. The Universal Market Integrity Rules, Dealer Member Rules, and Form 1 are amended as shown by the following black-line changes:

Appendix A

Proposed Rule – Item #1

Universal Market Integrity Rules - Rules & Policies

Part 1 - Definitions and Interpretation UMIR 1.1-30 (April 11, 2016)

““**Special Terms Order**” means an order for the purchase or sale of a security:

(a) for less than a standard trading unit;

(b) the execution of which is subject to a condition other than as:

 (i) to price,

 (ii) to the date of settlement; or

 (iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; or

(c) that on execution would be settled on a date other than:

 (i) the ~~third~~second business day following the date of the trade, or

 (ii) any settlement date specified in a special rule or direction referred to in subsection (2) of Rule 6.1 that is issued by an Exchange or a QTRS,

but does not include an order that is a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.”

Proposed Rule - Items #2 and #3

Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3)

“**(ii) Foreign Exchange Margin Requirement**

The foreign exchange margin requirement for foreign exchange positions shall be the aggregate of the spot risk margin requirement and the term risk margin requirement calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in Rule 100.2(d)(i)(A).

(A) Spot Risk Margin Requirement

 (1) The spot risk margin requirement shall apply to all monetary assets and liabilities regardless of term to maturity.

 (2) The spot risk margin requirement shall be calculated as the product of the net monetary position and the spot risk margin rate.

 (3) Monetary assets and liabilities will be considered to be spot positions unless they have a term to maturity of more than ~~3~~2 business days.

(4) The spot risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.

(B) Term Risk Margin Requirement

(1) The term risk margin requirement shall apply to all monetary assets and liabilities which have a term to maturity of more than ~~3~~2 business days, where the term to maturity is defined as the amount of time to when the claim to the monetary asset or the obligation to satisfy monetary liability expires.

(2) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability with a term to maturity of 2 years or less shall be the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is ~~3 calendar~~2 business days or less the weighting factor shall be zero.

(3) The term risk margin rate for an unhedged foreign exchange position shall not exceed the following rates:

	Currency Group			
	1	2	3	4
Maximum Term Risk Margin Rate	4.0%	7.0%	10.0%	25.0%

”

Proposed Rule - Item #4

Dealer Member Rules 100.19(a) and (b)

“**100.19. When Issued Trading of New and Additional Issues**

(a) Margin for Sales

(i) Short positions

Margin for short positions resulting from short sales of a security traded on a when issued basis shall be calculated on the market value of the securities sold as required by the relevant provisions of Rule 100.2(f)(i) relating to short positions. Margin shall be posted on the ~~third~~second settlement day after the trade of the short sale.

(ii) Hedged Positions ~~Resulting From~~resulting from the Sale on a When Issued Basis of a Security Previously Purchased on a When Issued Basis

When a person who has purchased a security to be issued pursuant to prospectus subsequently sells such security on a when issued basis, margin shall be calculated on the market value of the security purchased as required by the relevant provisions for long positions in Rule 100.2(f)(i) and shall be posted on the ~~third~~second settlement day after the sale.

(iii) Sales on a When Issued Basis for Settlement in the Regular Market

If a person who is deemed to own a security posted for trading on a when issued basis subsequently sells such security in the regular market and the trade occurs prior to the issuance or distribution of such security, margin shall be calculated on the market value of the securities sold as required by the relevant provisions in Rule 100.2(f)(i) relating to margin for short positions. Margin shall be posted ~~three~~on the second settlement ~~days~~day after the trade date.

(b) Purchases of When Issued Securities

Margin for purchases of securities on a when issued basis that have not been sold subsequently on a when issued basis shall be calculated as required by the relevant provisions in Rule 100.2(f)(i) relating to long positions. Margin shall be posted on the later of ~~three~~the second settlement ~~days~~day after the trade date or the date of the issuance or distribution of the security."

Proposed Rule - Item #5

Dealer Member Rule 200.2(l)(iv)

"(iv) In the case of trades in mortgage-backed securities, and subject to the proviso below:

(A) The original principal amount of the trade;

(B) The description of the security (including interest rate and maturity date);

(C) The remaining principal amount (RPA) factor;

(D) The purchase/sale price per $100 of original principal amount;

(E) The accrued interest;

(F) The total settlement amount; and

(G) The settlement date

provided that in the case of trades entered into from the ~~third~~second clearing day before month end to the ~~fourth~~fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses

200.2(l)(iv)(A), (B), (D) and (G) and indicating that the information in sub-clauses 200.2(l)(iv)(C), (E) and (F) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

And”

Proposed Rule - Items #6 and #7

Dealer Member Rule 800.27

“800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:

(a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;

(b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills) having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;

(c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the ~~third~~second clearing day after the transaction takes place;

(d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;

Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;

(e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;

(f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (~~g~~f), "commitment period" means the period from the ~~third~~second clearing day before month-end to the first clearing day on or before the ~~eleventh~~twelfth calendar day of the following month, inclusive."

Proposed Rule - Item #8

Dealer Member Rule 800.33

"800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

(a) Dealings made from ~~two days~~one business day prior to a regular interest payment up to ~~three~~two business days prior to the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;

(b) Dealings made from ~~two days~~one business day prior to the closing of the transfer books up to and including ~~three~~two business days prior to a regular interest payment shall be "less interest" from settlement date to the regular interest payment date."

Proposed Rule - Item #9

Dealer Member Rule 800.34

"800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments ~~two full~~one business ~~days~~day prior to the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed prior to twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous."

Proposed Rule - Item #10

Dealer Member Rule 800.47

"**800.47. When Issued Trading**

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

(a) All when issued trades made prior to the ~~second~~first trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;

(b) When issued trades on or after the ~~second~~first trading day before the anticipated date of issue of the security shall settle on the ~~third~~second settlement day after the trade date; and

(c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued."

Proposed Rule - Items #11 and #12

Notes and Instructions to Schedule 11 and 11A

FORM 1, PART II – SCHEDULES 11 AND 11A
NOTES AND INSTRUCTIONS

"1. The purpose of this Schedule is to measure the balance sheet exposure a Dealer Member has to foreign currency risk. Schedule 11A must be completed for each foreign currency that has margin requirement greater than or equal to $5,000.

2. The following is a summary of the quantitative and qualitative criteria for Currency Groups 1-4. Dealer Members should refer to the most recently published listing by SROs of currency groupings.
   - **Currency Group 1** consists of the US dollar.
   - **Currency Group 2** consists of all countries whose currencies have a historical volatility of less than 3% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank, and are either a member of the European Monetary System and a participant of the Exchange Rate Mechanism or there is a listed future for the currency on a recognized futures exchange such as the Chicago Mercantile Exchange (CME) or Philadelphia Board of Trade (PBOT).
   - **Currency Group 3** consists of all countries whose currencies have a historical volatility of less than 10% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank and are a full member of the International Monetary Fund (IMF).
   - **Currency Group 4** consists of all countries, which do not satisfy the quantitative and qualitative criteria for Currency Groups 1-3.

3. Reference should be made to the applicable rules and interpretation notices of the Corporation for definitions and calculations.

4. Monetary assets and liabilities are money or claims to money, the values of which, whether denominated in foreign or domestic currency are fixed by contract or otherwise.

5. All monetary assets and liabilities as well as the Dealer Member's own foreign currency future and forward commitments are to be reported on a trade date basis.

6. Monetary liabilities and the Dealer Member's own foreign currency future and forward commitments should be disclosed by maturity dates i.e. less than or equal to two (2) years and greater than two (2) years.

7. Weighted value is calculated for foreign exchange positions with terms to maturity of greater than ~~three~~two (~~3~~2) business days. The weighted value is derived by taking the term to maturity of the foreign exchange position in calendar days divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.

8. The total margin requirement is the sum of the spot risk margin and the term risk margin requirements. The spot risk margin rates apply to all unhedged foreign exchange positions regardless of term to maturity. The term risk margin rates apply to all unhedged foreign exchange positions with a term to maturity of greater than ~~three~~two (~~3~~2) business days. The following summarizes the margin rates by Currency Group:

	Currency Group			
	1	**2**	**3**	**4**
Spot Risk Margin Rate (Note 1)	1.0%	3.0%	10%	25%
Term Risk Margin Rate (Note 2)	1.0% to a maximum of 4%	3.0% to a maximum of 7%	5.0% to a maximum of 10%	12.5% to a maximum of 25%
Total Maximum Margin Rates (Note 1)	5%	10%	20%	50%

Note 1: Spot risk margin rates may be subject to the Foreign Exchange Margin Surcharge

Note 2: If the weighting factor described in 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.

FORM 1, PART II – SCHEDULES 11 AND 11A
NOTES AND INSTRUCTIONS

9. Dealer Members may elect to exclude non-allowable monetary assets from the total monetary assets reported on Schedule 11A for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a Dealer Member should not have to provide foreign exchange margin on a non-allowable asset which is already fully provided for in the determination of the capital position of the Dealer Member unless it serves as an economic hedge against a monetary liability.

10. For Dealer Members offsetting an inventory futures contract/forward contract position in which there is a futures contract for the currency listed on a recognized exchange, an alternative margin calculation may be used (refer to rules and interpretation notices of the Corporation). Any contract positions for which the margin is calculated under the alternative method must be reported as part of the inventory margin calculations on Schedule 2 and should be excluded from Schedule 11A.

11. Line 20 - The Foreign Exchange Concentration Charge applies only to currencies in Groups 2 to 4."

Appendix B

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT

CLEAN COPY OF AMENDMENTS

1. A clean copy of the amended Universal Market Integrity Rules, Dealer Member Rules, and Form 1 is as follows:

Proposed Rule – Item #1

Universal Market Integrity Rules - Rules & Policies

Part 1 - Definitions and Interpretation UMIR 1.1-30 (April 11, 2016)

"“**Special Terms Order**” means an order for the purchase or sale of a security:

(a) for less than a standard trading unit;

(b) the execution of which is subject to a condition other than as:

  (i) to price,

  (ii) to the date of settlement; or

  (iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; or

(c) that on execution would be settled on a date other than:

  (i) the second business day following the date of the trade, or

  (ii) any settlement date specified in a special rule or direction referred to in subsection (2) of Rule 6.1 that is issued by an Exchange or a QTRS,

but does not include an order that is a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order."

Proposed Rule - Items #2 and #3

Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3)

"**(ii) Foreign Exchange Margin Requirement**

The foreign exchange margin requirement for foreign exchange positions shall be the aggregate of the spot risk margin requirement and the term risk margin requirement calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in Rule 100.2(d)(i)(A).

(A) Spot Risk Margin Requirement

  (1) The spot risk margin requirement shall apply to all monetary assets and liabilities regardless of term to maturity.

  (2) The spot risk margin requirement shall be calculated as the product of the net monetary position and the spot risk margin rate.

  (3) Monetary assets and liabilities will be considered to be spot positions unless they have a term to maturity of more than 2 business days.

(4) The spot risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.

(B) Term Risk Margin Requirement

(1) The term risk margin requirement shall apply to all monetary assets and liabilities which have a term to maturity of more than 2 business days, where the term to maturity is defined as the amount of time to when the claim to the monetary asset or the obligation to satisfy monetary liability expires.

(2) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability with a term to maturity of 2 years or less shall be the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 2 business days or less the weighting factor shall be zero.

(3) The term risk margin rate for an unhedged foreign exchange position shall not exceed the following rates:

	Currency Group			
	1	2	3	4
Maximum Term Risk Margin Rate	4.0%	7.0%	10.0%	25.0%

"

Proposed Rule - Item #4

Dealer Member Rules 100.19(a) and (b)

"**100.19. When Issued Trading of New and Additional Issues**

(a) Margin for Sales

(i) Short positions

Margin for short positions resulting from short sales of a security traded on a when issued basis shall be calculated on the market value of the securities sold as required by the relevant provisions of Rule 100.2(f)(i) relating to short positions. Margin shall be posted on the second settlement day after the trade of the short sale.

(ii) Hedged Positions resulting from the Sale on a When Issued Basis of a Security Previously Purchased on a When Issued Basis

When a person who has purchased a security to be issued pursuant to prospectus subsequently sells such security on a when issued basis, margin shall be calculated on the market value of the security purchased as required by the relevant provisions for long positions in Rule 100.2(f)(i) and shall be posted on the second settlement day after the sale.

(iii) Sales on a When Issued Basis for Settlement in the Regular Market

If a person who is deemed to own a security posted for trading on a when issued basis subsequently sells such security in the regular market and the trade occurs prior to the issuance or distribution of such security, margin shall be calculated on the market value of the securities sold as required by the relevant provisions in Rule 100.2(f)(i) relating to margin for short positions. Margin shall be posted on the second settlement day after the trade date.

(b) Purchases of When Issued Securities

Margin for purchases of securities on a when issued basis that have not been sold subsequently on a when issued basis shall be calculated as required by the relevant provisions in Rule 100.2(f)(i) relating to long positions. Margin shall be posted on the later of the second settlement day after the trade date or the date of the issuance or distribution of the security."

Proposed Rule - Item #5

Dealer Member Rule 200.2(l)(iv)

(iv) In the case of trades in mortgage-backed securities, and subject to the proviso below:

(A) The original principal amount of the trade;

(B) The description of the security (including interest rate and maturity date);

(C) The remaining principal amount (RPA) factor;

(D) The purchase/sale price per $100 of original principal amount;

(E) The accrued interest;

(F) The total settlement amount; and

(G) The settlement date

provided that in the case of trades entered into from the second clearing day before month end to the fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses 200.2(l)(iv)(A), (B), (D) and (G) and indicating that the information in sub-clauses 200.2(l)(iv)(C), (E) and (F) cannot yet be determined and that a final confirmation will be issued as soon as such information is available.

After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

And”

Proposed Rule - Items #6 and #7

Dealer Member Rule 800.27

“800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:

(a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;

(b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills) having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;

(c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the second clearing day after the transaction takes place;

(d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;

Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;

(e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;

(f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (f), "commitment period" means the period from the second clearing day before month-end to the first clearing day on or before the twelfth calendar day of the following month, inclusive."

Proposed Rule - Item #8

Dealer Member Rule 800.33

"800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

(a) Dealings made from one business day prior to a regular interest payment up to two business days prior to the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;

(b) Dealings made from one business day prior to the closing of the transfer books up to and including two business days prior to a regular interest payment shall be "less interest" from settlement date to the regular interest payment date."

Proposed Rule - Item #9

Dealer Member Rule 800.34

"800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments one business day prior to the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed prior to twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous."

Proposed Rule - Item #10

Dealer Member Rule 800.47

"**800.47. When Issued Trading**

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

(a) All when issued trades made prior to the first trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;

(b) When issued trades on or after the first trading day before the anticipated date of issue of the security shall settle on the second settlement day after the trade date; and

(c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued."

Proposed Rule - Items #11 and #12

Notes and Instructions to Schedule 11 and 11A

FORM 1, PART II – SCHEDULES 11 AND 11A
NOTES AND INSTRUCTIONS

"1. The purpose of this Schedule is to measure the balance sheet exposure a Dealer Member has to foreign currency risk. Schedule 11A must be completed for each foreign currency that has margin requirement greater than or equal to $5,000.

2. The following is a summary of the quantitative and qualitative criteria for Currency Groups 1-4. Dealer Members should refer to the most recently published listing by SROs of currency groupings.
   - **Currency Group 1** consists of the US dollar.
   - **Currency Group 2** consists of all countries whose currencies have a historical volatility of less than 3% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank, and are either a member of the European Monetary System and a participant of the Exchange Rate Mechanism or there is a listed future for the currency on a recognized futures exchange such as the Chicago Mercantile Exchange (CME) or Philadelphia Board of Trade (PBOT).
   - **Currency Group 3** consists of all countries whose currencies have a historical volatility of less than 10% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank and are a full member of the International Monetary Fund (IMF).
   - **Currency Group 4** consists of all countries, which do not satisfy the quantitative and qualitative criteria for Currency Groups 1-3.

3. Reference should be made to the applicable rules and interpretation notices of the Corporation for definitions and calculations.

4. Monetary assets and liabilities are money or claims to money, the values of which, whether denominated in foreign or domestic currency are fixed by contract or otherwise.

5. All monetary assets and liabilities as well as the Dealer Member's own foreign currency future and forward commitments are to be reported on a trade date basis.

6. Monetary liabilities and the Dealer Member's own foreign currency future and forward commitments should be disclosed by maturity dates i.e. less than or equal to two (2) years and greater than two (2) years.

7. Weighted value is calculated for foreign exchange positions with terms to maturity of greater than two (2) business days. The weighted value is derived by taking the term to maturity of the foreign exchange position in calendar days divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.

8. The total margin requirement is the sum of the spot risk margin and the term risk margin requirements. The spot risk margin rates apply to all unhedged foreign exchange positions regardless of term to maturity. The term risk margin rates apply to all unhedged foreign exchange positions with a term to maturity of greater than two (2) business days. The following summarizes the margin rates by Currency Group:

Currency Group

	1	**2**	**3**	**4**
Spot Risk Margin Rate (Note 1)	1.0%	3.0%	10%	25%
Term Risk Margin Rate (Note 2)	1.0% to a maximum of 4%	3.0% to a maximum of 7%	5.0% to a maximum of 10%	12.5% to a maximum of 25%
Total Maximum Margin Rates (Note 1)	5%	10%	20%	50%

Note 1: Spot risk margin rates may be subject to the Foreign Exchange Margin Surcharge

Note 2: If the weighting factor described in 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.

9. Dealer Members may elect to exclude non-allowable monetary assets from the total monetary assets reported on Schedule 11A for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a Dealer Member should not have to provide foreign exchange margin on a non-allowable asset which is already fully provided for in the determination of the capital position of the Dealer Member unless it serves as an economic hedge against a monetary liability.

FORM 1, PART II – SCHEDULES 11 AND 11A

NOTES AND INSTRUCTIONS

10. For Dealer Members offsetting an inventory futures contract/forward contract position in which there is a futures contract for the currency listed on a recognized exchange, an alternative margin calculation may be used (refer to rules and interpretation notices of the Corporation). Any contract positions for which the margin is calculated under the alternative method must be reported as part of the inventory margin calculations on Schedule 2 and should be excluded from Schedule 11A.
11. Line 20 - The Foreign Exchange Concentration Charge applies only to currencies in Groups 2 to 4."

Appendix C

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT

BLACK-LINE COPY OF PLAIN LANGUAGE VERSION OF AMENDMENTS

1. A black-line comparison of the proposed plain language version of the Amendments to the most recently published proposed plain language rules, where applicable, is as follows:

Appendix C

Proposed Rule – Item #1

No plain language version of UMIR

Proposed Rule - Items #2 and #3

Plain language version of Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3) are plain language rule clause 5130(7)(vi), plain language rule subsection, 5460(1), plain language rule sections 5463, and 5464.

Plain language rule clause 5130(7)(vi)

"(vi) **"term to maturity"** for a *monetary asset or liability* means the amount of time from the present to the time when the claim to the *monetary asset* or the obligation to satisfy the *monetary liability* expires."

Plain language rule subsection, 5460(1)

"**FOREIGN EXCHANGE POSITIONS**

5460. General margin requirements for foreign exchange positions

(1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for a particular *foreign exchange position* are the aggregate of the spot risk margin requirement and term risk margin requirement, calculated using one of the following groups of spot risk margin rates and term risk margin rates for the relevant foreign currency:

	Spot risk and term risk margin required as a percentage of market value of the *foreign exchange position*			
	Currency Group			
	1	2	3	4
Spot risk margin rate	greater of: (i) 1.00% and (ii) spot risk surcharge rate	greater of: (i) 3.00% and (ii) spot risk surcharge rate	greater of: (i) 10.00% and (ii) spot risk surcharge rate	25.00%
Term risk margin rate	lesser of: (i) 1.00% x *foreign exchange position term to maturity*; and (ii) 4.00%	lesser of: (i) 3.00% x *foreign exchange position term to maturity*; and (ii) 7.00%	lesser of: (i) 5.00% x *foreign exchange position term to maturity*; and (ii) 10.00%	lesser of: (i) 12.50% x *foreign exchange position term to maturity*; and (ii) 25.00%

"

Plain language rule section 5463

"**5463. Spot risk margin requirement**

(1) The spot risk margin requirement applies to all *monetary assets and liabilities*, regardless of *term to maturity*, and must be calculated as:

net long (short) foreign exchange position x spot risk margin rate

(2) The spot risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate*."

Plain language rule section 5464

"**5464. Term risk margin requirement**

(1) The term risk margin requirement applies to all *monetary assets or liabilities* with a *term to maturity* of over ~~three~~two business days and must be calculated for each individual asset and liability as:

foreign exchange position x term risk margin rate for the position

(2) The term risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate*."

Proposed Rule - Item #4

Plain language version of Dealer Member Rules 100.19(a) and (b) are plain language rule sections 5560, 5561 and 5562.

"**MARGIN REQUIREMENTS FOR WHEN ISSUED TRADING POSITIONS**

5560. Margin for short positions

(1) Subject to subsections 5560(2) and 5560(3), the minimum *Dealer Member inventory margin* and *client account margin* required for short positions resulting from short sales of a security traded on a when issued basis is the *normal margin required* for a short position in the security.

(2) *Dealer Member inventory margin* shall be posted on the trade date of the short sale.

(3) *Client account margin* shall be posted on the ~~third~~second settlement day after the trade date of the short sale.

5561. Margin for hedged positions

(1) Subject to subsections 5561(3) and 5561(4), the minimum *Dealer Member inventory margin* and *client account margin* required for hedged positions resulting from purchases of securities *trading on a when issued basis* that are subsequently sold on a when issued basis is the *normal margin required* for a long position in the security.

(2) Subject to subsections 5561(3) and 5561(4), the minimum *Dealer Member inventory margin* and *client account margin* required for hedged positions resulting from purchases of securities *trading on a when issued basis* that are subsequently sold for settlement into the regular market is the *normal margin required* for a short position in the security.

(3) *Dealer Member inventory margin* shall be posted on the trade date of the purchase.

(4) *Client account margin* shall be posted on the ~~third~~second settlement day after the trade date of the sale.

5562. Margin for long positions

(1) Subject to subsections 5562(2) and 5562(3), the minimum *Dealer Member inventory margin* and *client account margin* required for long positions resulting from purchases of securities *trading on a when issued basis* that have not been sold subsequently on a when issued basis is the *normal margin required* for a long position in the security.

(2) *Dealer Member inventory margin* shall be posted on the trade date of the purchase.

(3) *Client account margin* shall be posted on the later of the ~~third~~second settlement day after the trade date of the purchase and the date of the issuance or distribution of the security."

Proposed Rule - Item #5

Plain language version of Dealer Member Rule 200.2(l)(iv) is plain language rule clause 3816(2)(iv).

Plain language rule clause 3816(2)(iv)

"(iv) in the case of trades in mortgage-backed securities, and subject to the proviso below:

(a) the original principal amount of the trade;

(b) the description of the security (including interest rate and maturity date);

(c) the remaining principal amount (RPA) factor;

(d) the purchase/sale price per $100 of original principal amount;

(e) the accrued interest;

(f) the total settlement amount; and

(g) the settlement date

provided that in the case of trades entered into from the ~~third~~second clearing day before month end to the ~~fourth~~fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in subclauses 3816(2)(iv)(a), 3816(2)(iv)(b), 3816(2)(iv)(d) and 3816(2)(iv)(g) and indicating that the information in subclauses 3816(2)(iv)(c), 3816(2)(iv)(e) and 3816(2)(iv)(f) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

and"

Proposed Rule - Items #6 and #7

Plain language version of Dealer Member Rule 800.27 (fixed income section) is plain language rule subsections 4804(1), 4804(3), and 4804(4).

Plain language rule subsections 4804(1) - 4804(4)

"4804. Fixed income delivery

(1) All trades are to be considered for *regular delivery* (defined in subsection 4804(3)), unless otherwise agreed to in writing by all of the parties to a transaction at the time of the transaction.

(2) For a deal involving the sale or purchase of more than one maturity, each maturity must be treated as a separate transaction. No contingent (all or none) dealings are permitted.

(3) Regular delivery is defined as:

(i) Government of Canada

(a) The same day as the transaction date for Government of Canada Treasury Bills.

(b) The second *business day* after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds (except Treasury Bills) having an unexpired term to maturity of three years or less (or to the earliest call date where a transaction is completed at a premium). Any accrued interest must be stopped on the second *business day* after the transaction date.

(c) The ~~third~~second *business day* after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date). Any accrued interest must be stopped on the ~~third~~second *business day* after the transaction date.

(ii) Province of Canada

(a) The ~~third~~second *business day* after the transaction date for all provincial bonds or debentures. Any accrued interest must be stopped on the ~~third~~second *business day* after the transaction date.

(iii) Other Bonds and Debentures

(a) The ~~third~~second *business day* after the transaction date for all municipal, corporation and other bonds or debentures (other than Government of Canada and Province of Canada treasury bills, bonds or debentures), and other certificates of indebtedness including mortgage-backed securities. Any accrued interest must be stopped on the ~~third~~second *business day* after the transaction date.

(4) New Issues delivery

(i) The regular delivery requirements above are not intended to interfere in any way with the common practice of transactions between *Dealer Members* in new issues during the period of primary distribution on an "accrued interest to delivery" basis. However, the regular delivery requirements will come into effect on the appropriate number of *business days* prior to the new issue being first available for physical delivery.

(ii) Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest must be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made.

(iii) For a mortgage-backed security transaction made during the period from the ~~third~~second *business day* before month-end to the first *business day* on or before the ~~eleventh~~twelfth calendar day of the following month, inclusive, delivery must take place on or after the fifteenth calendar day of the month."

Proposed Rule - Item #8

Plain language version of Dealer Member Rule 800.33 is plain language rule subsections 4802(7) and 4802(8).

Plain language rule subsections 4802(7) and 4802(8)

"(7) For bonds or debentures that are only available in registered form, transactions made ~~two days~~one business day before a regular interest payment and up to ~~three~~two business days before the closing of the transfer agent's books for the next interest payment, both days inclusive, will be on an "and interest" basis. The full amount of such interest payment must be deducted by the seller after the calculation of interest on the regular delivery basis, unless delivery is completed to the buyer by twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent's books for a regular interest payment.

(8) For bonds or debentures that are only available in registered form, transactions from ~~two days~~one business day before the closing of the transfer agent's books up to and including ~~three~~two business days before a regular interest payment must be "less interest" from settlement date to the regular interest payment date."

Proposed Rule - Item #9

Plain language version of Dealer Member Rule 800.34 is plain language rule sub-clauses 4807(2)(ii)(b) and 4807(2)(ii)(c).

Plain language rule sections 4807(1) - (2)

"4807. Stock delivery

(1) All trades are to be considered for *regular delivery* (defined in subsection 4807(2)), unless otherwise agreed to in writing by the parties to a transaction at the time of the transaction.

(2) *Regular delivery* is defined as:

(i) Exchange-listed shares

(a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.

(ii) Unlisted registered shares

(a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.

(b) For transactions between *Dealer Members* in shares that occur ~~two full~~one *business* ~~*days*~~*day* prior to the record date, the shares must be traded ex dividend, ex rights, or ex payments.

(c) For transactions between *Dealer Members* in shares that are not ex dividend, ex rights, or ex payments at the time the transaction occurs and delivery is not completed prior to twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent's books, the seller is responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates. For the purposes of this sub-clause 4807(2)(ii)(c), where the record date falls on a Saturday or other non-*business day*, the *business day* prior to the record date is to be treated as the effective record date."

Proposed Rule - Item #10

Plain language version of Dealer Member Rule 800.47 is plain language rule subsection 4760(1).

Plain language rule subsection 4760(1)

"4760.When issued trading

(1) Unless the parties to the trade agree otherwise or *IIROC* provides a separate ruling:

(i) All when issued trades made before the ~~second~~first trading day before the anticipated date of issue of the security must be settled on the anticipated date of issue of such security

(ii) All when issued trades made on or after the ~~second~~first trading day before the anticipated date of issue of the security must be settled on the ~~third~~second settlement day after the trade date

(iii) If the security has not been issued on the settlement date in clause 4760(1)(i) or 4760(1)(ii), such trades must be settled on the date that the security is actually issued."

Proposed Rule - Items #11 and #12

No plain language version of Form 1