

# IIROC NOTICE

**Rules Notice**  
**Notice of Approval/Implementation**  
Dealer Member Rules

*Please distribute internally to:*

Internal Audit  
Legal and Compliance  
Regulatory Accounting  
Senior Management  
Training

*Contact:*

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**19-0036**

**March 5, 2019**

## **Housekeeping amendments to Form 1 to adopt IFRS reporting requirements for leases**

On January 30, 2019, the Board of Directors (the **Board**) of the Investment Industry Regulatory Organization of Canada (IIROC) approved the housekeeping amendments to Form 1 regarding the adoption of International Financial Reporting Standards (**IFRS**) 16 *Leases* (the **Housekeeping Amendments**). The main purpose of the Housekeeping Amendments is to ensure Form 1 is prepared in accordance with IFRS<sup>1</sup> and the changes do not impact Dealer Members' risk adjusted capital regarding non-refundable leasehold inducements.

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<sup>1</sup> Form 1 is a special purpose report that includes financial statements and schedules, and is to be prepared in accordance with IFRS, except as prescribed by IIROC. The IIROC prescribed IFRS departures and accounting treatment are set out in General Notes and Definitions to Form 1.



## Summary of the nature and purpose of the amendments

The changes to Form 1 are as follows:

- removed line 65 "Non-refundable leasehold inducements" from Statement A, and renumbered the subsequent lines accordingly
- removed notes to line 59 and line 65 from the Notes and Instructions to Statement A, and renumbered the Statement A line references
- removed the reference to line "A-65" in Statement B, line 2, and renumbered affected Statement A line references
- removed line 7 "Less: Non-refundable leasehold inducements" from Statement C, and renumbered the subsequent lines and references to them accordingly
- renumbered affected Statement A line references in Statement C
- removed the words "non-current portion of lease liabilities - leasehold inducements," in the note to Line 5 in the Notes and Instructions to Statement C
- replaced the note reference to "Line 5" with "Lines 5, 6, 7 and 8" in the Notes and Instructions to Statement C because this note also covers these non-current liabilities lines
- renumbered affected Statement C line references in the Notes and Instructions to Statement C
- renumbered affected Statement C line references in Statement D
- renumbered an affected Statement C line reference in Schedule 6A
- renumbered an affected Statement C line reference in Schedule 13
- renumbered an affected Statement C line reference in Schedule 13A
- renumbered affected Statement A line reference in Statement E, line 41
- renumbered affected Statement A line references in Statement F, lines 3, 6 and 13
- replaced the reference to "Statement A, Line 65" with "Statement B, Line 2" in note 2(b) of the Notes and Instructions to Schedule 14, and renumbered affected Statement A line references.

We have classified our amendments to Form 1 as "housekeeping" because:

- they are necessary to ensure IROC Rules comply with applicable securities legislation, statutory and legal requirements as they allow Statement A of Form 1 to comply with IFRS 16
- they do not impact risk adjusted capital regarding non-refundable leasehold inducements
- there is no material impact on investors, issuers, Dealer Members or the capital markets in an province or territory of Canada.



## **Implementation**

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Dealer Members will implement IFRS 16 at different times during calendar year 2019 depending on their year-end. In addition, Form 1 Statement A must report the current and prior year balances. Therefore, some Dealer Members may require the use of line A65 until November 30, 2020. Currently, the Securities Industry Regulatory Financial Filings (SIRFF) system populates line B2 “Add: Non-refundable leasehold inducements”, from line A65.

Effective March 5, 2019 the only housekeeping amendment will be to Statement B of Form 1 to remove the reference to line A65 as set out in **Appendices A and B**. Dealer Members must populate line B2 manually as some may report non-refundable leasehold inducements (also referred to as non-refundable leasehold incentives in IFRS 16) on line A30, depending on their transition to IFRS 16.

The remaining Housekeeping Amendments as set out in **Appendices C and D** will take effect on December 1, 2020.

## **Appendices**

- Appendix A - Blackline comparison of the housekeeping amendment to Statement B to current Statement B of Form 1
- Appendix B - Clean copy of the housekeeping amendment to Statement B of Form 1
- Appendix C - Blackline comparison of the housekeeping amendments to current Form 1
- Appendix D - Clean copy of the housekeeping amendments to Form 1.

**HOUSEKEEPING AMENDMENTS TO FORM 1 TO ADOPT IFRS REPORTING REQUIREMENTS FOR LEASES**  
**BLACKLINE COMPARISON OF THE HOUSEKEEPING AMENDMENT TO STATEMENT B TO CURRENT STATEMENT B OF**  
**FORM 1**

FORM 1, PART I – STATEMENT B

(Dealer Member Name)

STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. A-73	Total Capital	-----	-----
2. <del>A-65</del>	<b>Add:</b> Non-refundable leasehold inducements	-----	-----
3. A-67	<b>Add:</b> Subordinated loans	-----	-----
4.	REGULATORY FINANCIAL STATEMENT CAPITAL	-----	-----
5. A-29	<b>Deduct:</b> Total Non allowable assets	-----	-----
6.	NET ALLOWABLE ASSETS	-----	-----
7.	<b>Deduct:</b> Minimum capital	-----	-----
8.	SUBTOTAL	-----	-----
<b>Deduct - Margin required:</b>			
9. Sch.1	Loans receivable, securities borrowed and resold	-----	-----
10. Sch.2	Securities owned and sold short	-----	-----
11. Sch.2A	Underwriting concentration	-----	-----
12. Sch.4	Client accounts	-----	-----
13. Sch.5	Brokers and dealers	-----	-----
14. Sch.7	Loans and repurchases	-----	-----
15.	Contingent liabilities [provide details]	-----	-----
16. Sch.10	Financial institution bond deductible [greatest under any clause]	-----	-----
17. Sch.11	Unhedged foreign currencies	-----	-----
18. Sch.12	Futures contracts	-----	-----
19. Sch.14	Provider of capital concentration charge	-----	-----
20.	Securities held at non-acceptable securities locations	-----	-----
21. Sch.7A	Acceptable counterparties financing activities concentration charge	-----	-----
22.	Unresolved differences [provide details]	-----	-----
23.	Other [provide details]	-----	-----
24.	TOTAL MARGIN REQUIRED [Lines 9 to 23]	-----	-----
25.	SUBTOTAL [Line 8 less Line 24]	-----	-----
26. Sch.6A	<b>Add:</b> Applicable tax recoveries	-----	-----
27.	Risk Adjusted Capital before securities concentration charge [Line 25 plus Line 26]	-----	-----
28. Sch.9	<b>Deduct:</b> Securities concentration charge of _____	-----	-----
Sch.6A	less tax recoveries of _____	-----	-----
29.	RISK ADJUSTED CAPITAL [Line 27 less Line 28]	=====	=====

[See notes and instructions]

~~Jan-2013~~ Mar-2019

**HOUSEKEEPING AMENDMENTS TO FORM 1 TO ADOPT IFRS REPORTING REQUIREMENTS FOR LEASES**

**CLEAN COPY OF THE HOUSEKEEPING AMENDMENT TO STATEMENT B OF FORM 1**

FORM 1, PART I – STATEMENT B

(Dealer Member Name)

STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. A-73	Total Capital	-----	-----
2.	<b>Add:</b> Non-refundable leasehold inducements	-----	-----
3. A-67	<b>Add:</b> Subordinated loans	-----	-----
4.	REGULATORY FINANCIAL STATEMENT CAPITAL	-----	-----
5. A-29	<b>Deduct:</b> Total Non allowable assets	-----	-----
6.	NET ALLOWABLE ASSETS	-----	-----
7.	<b>Deduct:</b> Minimum capital	-----	-----
8.	SUBTOTAL	-----	-----
<b>Deduct - Margin required:</b>			
9. Sch.1	Loans receivable, securities borrowed and resold	-----	-----
10. Sch.2	Securities owned and sold short	-----	-----
11. Sch.2A	Underwriting concentration	-----	-----
12. Sch.4	Client accounts	-----	-----
13. Sch.5	Brokers and dealers	-----	-----
14. Sch.7	Loans and repurchases	-----	-----
15.	Contingent liabilities [provide details]	-----	-----
16. Sch.10	Financial institution bond deductible [greatest under any clause]	-----	-----
17. Sch.11	Unhedged foreign currencies	-----	-----
18. Sch.12	Futures contracts	-----	-----
19. Sch.14	Provider of capital concentration charge	-----	-----
20.	Securities held at non-acceptable securities locations	-----	-----
21. Sch.7A	Acceptable counterparties financing activities concentration charge	-----	-----
22.	Unresolved differences [provide details]	-----	-----
23.	Other [provide details]	-----	-----
24.	TOTAL MARGIN REQUIRED [Lines 9 to 23]	-----	-----
25.	SUBTOTAL [Line 8 less Line 24]	-----	-----
26. Sch.6A	<b>Add:</b> Applicable tax recoveries	-----	-----
27.	Risk Adjusted Capital before securities concentration charge [Line 25 plus Line 26]	-----	-----
28. Sch.9	<b>Deduct:</b> Securities concentration charge of _____	-----	-----
Sch.6A	less tax recoveries of _____	-----	-----
29.	RISK ADJUSTED CAPITAL [Line 27 less Line 28]	-----	-----

[See notes and instructions]

Mar-2019

**HOUSEKEEPING AMENDMENTS TO FORM 1 TO ADOPT IFRS REPORTING REQUIREMENTS FOR LEASES**

**BLACKLINE COMPARISON OF THE HOUSEKEEPING AMENDMENTS TO CURRENT FORM 1**



FORM 1, PART I – STATEMENT A

(Dealer Member Name)

STATEMENT OF FINANCIAL POSITION

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
<b>LIQUID ASSETS:</b>			
1.	Cash on deposit with <i>acceptable institutions</i>	-----	-----
2.	Funds deposited in trust for RRSP and other similar accounts	-----	-----
3.	Stmt. D Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation	-----	-----
4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]	-----	-----
5.	Margin deposits with regulated entities [cash balances only]	-----	-----
6.	Sch.1 Loans receivable, securities borrowed and resold	-----	-----
7.	Sch.2 Securities owned - at <i>market value</i>	-----	-----
8.	Sch.2 Securities owned and segregated due to free credit ratio calculation	-----	-----
9.	Sch.4 Client accounts	-----	-----
10.	Sch.5 Brokers and dealers trading balances	-----	-----
11.	Receivable from carrying broker or mutual fund	-----	-----
12.	TOTAL LIQUID ASSETS	-----	-----
<b>OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):</b>			
13.	Sch.6 Current income tax assets	-----	-----
14.	Recoverable and overpaid taxes	-----	-----
15.	Commissions and fees receivable	-----	-----
16.	Interest and dividends receivable	-----	-----
17.	Other receivables [provide details]	-----	-----
18.	TOTAL OTHER ALLOWABLE ASSETS	-----	-----
<b>NON ALLOWABLE ASSETS:</b>			
19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----
20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----
21.	Commissions and fees receivable	-----	-----
22.	Interest and dividends receivable	-----	-----
23.	Deferred tax assets	-----	-----
24.	Intangible assets	-----	-----
25.	Property, plant and equipment	-----	-----
26.	Investments in subsidiaries and affiliates	-----	-----
27.	Advances to subsidiaries and affiliates	-----	-----
28.	Other assets [provide details]	-----	-----
29.	TOTAL NON-ALLOWABLE ASSETS	-----	-----
30.	Finance lease assets	-----	-----
31.	TOTAL ASSETS	-----	-----

[See notes and instructions]

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## FORM 1, PART I – STATEMENT A [Continued]

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
CURRENT LIABILITIES:			
51. Sch.7	Overdrafts, loans, securities loaned and repurchases		
52. Sch.2	Securities sold short - at <i>market value</i>		
53. Sch.4	Client accounts		
54. Sch.5	Brokers and dealers		
55.	Provisions		
56. Sch.6	Current income tax liabilities		
57.	Bonuses payable		
58.	Accounts payable and accrued expenses		
59.	Finance leases and lease-related liabilities		
60.	Other current liabilities [provide details]		
61.	TOTAL CURRENT LIABILITIES		
NON-CURRENT LIABILITIES:			
62.	Provisions		
63.	Deferred tax liabilities		
64.	Finance leases and lease-related liabilities		
<del>65.</del>	<del>Non-refundable leasehold inducements</del>		
<del>66.</del>	<del>Other non-current liabilities [provide details]</del>		
<del>65.</del>			
<del>67.</del>	<del>Subordinated loans</del>		
<del>66.</del>			
<del>68.</del>	TOTAL NON-CURRENT LIABILITIES		
<del>67.</del>			
<del>69.</del>	TOTAL LIABILITIES [Line 61 plus Line <del>68</del> <del>67</del> ]		
<del>68.</del>			
CAPITAL AND RESERVES:			
<del>70.</del>	Stmt. F Issued capital		
<del>69.</del>			
<del>71.</del>	Stmt. F Reserves		
<del>70.</del>			
<del>72.</del>	Stmt. F Retained earnings or undivided profits		
<del>71.</del>			
<del>73.</del>	TOTAL CAPITAL		
<del>72.</del>			
<del>74.</del>	TOTAL LIABILITIES AND CAPITAL		
<del>73.</del>			

[See notes and instructions]

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**FORM 1, PART I – STATEMENT A  
NOTES AND INSTRUCTIONS**

**Accrual basis of accounting**

Dealer Members are required to use the accrual basis of accounting.

**Line 2** - The trustee for RRSP or other similar accounts must qualify as an *acceptable institution*. Such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then the Dealer Member must report 100% of the balance held in trust as non-allowable assets on Line 28 (Non-allowable assets – other assets).

RRSP and other similar balances held at such trustee, but for which CDIC or the AMF insurance is not available, such as foreign currency accounts, can be classified as allowable assets.

The name of the RRSP trustee used by the Dealer Member must also be provided on Schedule 4.

**Line 4** - For definition of “*acceptable clearing corporations*”, see General Notes and Definitions.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

**Line 5** - For definition of “*regulated entities*”, see General Notes and Definitions.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

**Line 11** - For an introducing broker (pursuant to an approved introducing/carrying broker agreement), unsecured balances receivable from its carrying broker, such as gross commissions and deposits in the form of cash, should be reported on this line.

Unsecured balances should only be included to the extent they are not being used by the carrying broker to reduce client margin requirements.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

In the case of the salesperson’s portion of gross commissions and fees receivable, as recorded on Line 21 (Commissions and fees receivable), to the extent that there is written documentation that the broker does not have a liability to pay the salesperson’s commission until it is received, the salesperson’s portion of the gross commission receivable is an allowable asset.

**Line 13** - Include only overpayment of prior years' income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid.

**Line 14** - Include the recoverable portion of capital tax, Part VI tax, property taxes and any federal or provincial sales taxes.

Include only to extent receivable from *acceptable institutions* (for definition, see General Notes and Definitions).

**Line 18** - Allowable assets are those assets which due to their nature, location or source are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

Include only to extent receivable from *acceptable institutions* (for definition see General Notes and Definitions).

**Line 19** - Report the cash and *market value* of securities lodged with *acceptable clearing corporations* that represent fixed base deposits.

**Line 20** - To the extent receivable from other than *acceptable clearing corporations*, include all deposits whether margin deposits or variable and fixed base deposits.

**Line 21** - To the extent receivable from parties other than *acceptable institutions*.

**Line 22** - To the extent receivable from parties other than *acceptable institutions*.

**Line 24** - Start-up and organizational costs cannot be capitalized. Examples of intangible assets include goodwill and client lists.

**Line 26** - Investments in subsidiaries and affiliates must be valued at cost.

**Line 27** - A Dealer Member must report non-trading inter-company receivables on a gross basis unless the criteria for netting are met.

**Line 28** - Including but not limited to such items as:

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**FORM 1, PART I – STATEMENT A**  
**NOTES AND INSTRUCTIONS [Continued]**

- prepaid expenses
- cash surrender value of life insurance
- advances to employees (gross)
- other receivables from other than *acceptable institutions*
- cash on deposit with non *acceptable institutions*

**Line 29** - Non-allowable assets mean those assets that do not qualify as allowable assets.

**Line 30** - Assets arising from a finance lease (also known as a capitalized lease).

**Line 55** - Recognize a liability to cover specific expenditures relating to legal and constructive obligations.

A Dealer Member cannot hold provisions as a general reserve to be applied against some other unrelated expenditure.

**Line 57** - Include discretionary bonuses payable and bonuses payable to shareholders in accordance with share ownership.

~~**Line 59** - Include current portion of deferred lease inducements.~~

**Line 60** - Include unclaimed dividends and interest.

~~**Line 65** - In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the Dealer Member (i.e. if the Dealer Member does not “owe” the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the Dealer Member), the non-current portion can be reported as an adjustment to risk-adjusted capital (RAC) on Statement B.~~

**Line 67** - Subordinated loans mean approved loans, pursuant to an agreement in writing in a form satisfactory to the Corporation, obtained from a chartered bank or any other lending institution, industry investor approved as such by the Corporation, or non-industry investor subject to the Corporation’s approval, the payment of which is deferred in favor of other creditors and is subject to regulatory approval.

A Dealer Member must not pay a debt owed to any of its creditors contrary to any subordination or other agreement to which it and the Corporation are parties.

**Line 71** - Reserve is an amount set aside for future use, expense, loss or claim – in accordance with statute or regulation. It includes an amount appropriated from retained earnings – in accordance with statute or regulation. It also includes accumulated other comprehensive income (OCI).

**Line 72** - Retained earnings represent the accumulated balance of income less losses arising from the operation of the business, after taking into account dividends and other direct charges or credits.

## FORM 1, PART I – STATEMENT B

(Dealer Member Name)

## STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. <del>A-73</del> <u>72</u> Total Capital		-----	-----
2. <del>A-65</del> <b>Add:</b> Non-refundable leasehold inducements		-----	-----
3. <del>A-67</del> <u>66</u> <b>Add:</b> Subordinated loans		-----	-----
4. REGULATORY FINANCIAL STATEMENT CAPITAL		-----	-----
5. A-29 <b>Deduct:</b> Total Non allowable assets		-----	-----
6. NET ALLOWABLE ASSETS		-----	-----
7. <b>Deduct:</b> Minimum capital		-----	-----
8. SUBTOTAL		-----	-----
<b>Deduct - Margin required:</b>			
9. Sch.1 Loans receivable, securities borrowed and resold		-----	-----
10. Sch.2 Securities owned and sold short		-----	-----
11. Sch.2A Underwriting concentration		-----	-----
12. Sch.4 Client accounts		-----	-----
13. Sch.5 Brokers and dealers		-----	-----
14. Sch.7 Loans and repurchases		-----	-----
15. Contingent liabilities [provide details]		-----	-----
16. Sch.10 Financial institution bond deductible [greatest under any clause]		-----	-----
17. Sch.11 Unhedged foreign currencies		-----	-----
18. Sch.12 Futures contracts		-----	-----
19. Sch.14 Provider of capital concentration charge		-----	-----
20. Securities held at non-acceptable securities locations		-----	-----
21. Sch.7A Acceptable counterparties financing activities concentration charge		-----	-----
22. Unresolved differences [provide details]		-----	-----
23. Other [provide details]		-----	-----
24. TOTAL MARGIN REQUIRED [Lines 9 to 23]		-----	-----
25. SUBTOTAL [Line 8 less Line 24]		-----	-----
26. Sch.6A <b>Add:</b> Applicable tax recoveries		-----	-----
27. Risk Adjusted Capital before securities concentration charge [Line 25 plus Line 26]		-----	-----
28. Sch.9 <b>Deduct:</b> Securities concentration charge of _____		-----	-----
Sch.6A less tax recoveries of _____		-----	-----
29. RISK ADJUSTED CAPITAL [Line 27 less Line 28]		=====	=====

[See notes and instructions]

Jan-2013 Dec-2020

FORM 1, PART I – STATEMENT C

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

STATEMENT OF EARLY WARNING EXCESS AND EARLY WARNING RESERVE

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
1. B-29 RISK ADJUSTED CAPITAL		_____
<b>LIQUIDITY ITEMS -</b>		
<b>DEDUCT:</b>		
2. A-18 Other allowable assets	-----	-----
3. Sch.6A Tax recoveries	-----	-----
4. Securities held at non-acceptable securities locations	-----	-----
<b>ADD:</b>		
5. A- <del>68</del> 67 Non-current liabilities	-----	-----
6. A- <del>67</del> 66 Less: Subordinated loans	-----	-----
<del>7.</del> A-65 Less: Non-refundable leasehold inducements	-----	-----
<del>8.</del> 7 A-64 Less: Finance leases and lease-related liabilities	-----	-----
≡	-----	-----
<del>9.</del> 8 Adjusted non-current liabilities for Early Warning purposes	-----	-----
≡	-----	-----
<del>10.</del> Sch.6A Tax recoveries - income accruals	-----	-----
<del>11.</del> 9	-----	-----
<del>12.</del> 10	-----	-----
<b>EARLY WARNING EXCESS</b>		
<b>DEDUCT: CAPITAL CUSHION -</b>		
<del>12.</del> B-24 Total margin required \$_____ multiplied by 5%	-----	-----
<del>13.</del> 11	-----	-----
<del>14.</del> 12	-----	-----
<b>EARLY WARNING RESERVE [Line <del>14</del>10 less Line <del>12</del>11]</b>		
		=====

[See notes and instructions]

~~Jul-2013~~Dec-2020

**FORM 1, PART I – STATEMENT C  
NOTES AND INSTRUCTIONS**

The Early Warning system is designed to provide advance warning of a Dealer Member encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage Dealer Members to build a capital cushion.

**Line 1** - If Risk Adjusted Capital of the Dealer Member is less than:

- (a) 5% of total margin required (Line ~~12~~11 above), then the Dealer Member is designated as being in Early Warning category **Level 1**, or
- (b) 2% of total margin required (Line ~~12~~11 above), then the Dealer Member is designated as being in Early Warning category **Level 2**,

and the applicable sanctions outlined in the Corporation rules will apply.

**Lines 2 and 3** - These items are deducted from RAC because they are illiquid or the receipt is either out of the Dealer Member's control or contingent.

**Line 4** - Pursuant to the Notes and Instructions for the completion of Statement B, Line 20, where the entity would otherwise qualify as an acceptable securities location except for the fact that the Dealer Member has not entered into a written custodial agreement with the entity, as required by Corporation rules, the Dealer Member will be required to deduct an amount up to 10% of the *market value* of the securities held in custody with the entity, in the calculation of its Early Warning Reserve. Please refer to the detailed calculation formula set out to the Notes and Instructions for the completion of Statement B, Line 20 to determine the capital requirement to be reported on Statement C, Line 4.

**Line 5**~~Lines 5, 6, 7 and 8~~ - Non-current liabilities (other than subordinated loans, ~~non-current portion of lease liabilities—leasehold inducements,~~ and non-current portion of finance leases and lease-related liabilities) are added back to RAC as they are not current obligations of the Dealer Member and can be used as financing.

**Line 10**~~9~~ - This add-back ensures that the Dealer Member is not penalized at the Early Warning level for accruing income.

**Line 11**~~10~~ - If Early Warning Excess is negative, the Dealer Member is designated as being in Early Warning category Level 2 and the sanctions outlined in the Corporation rules will apply.

**Line 12**~~11~~ - If the Early Warning Reserve is negative, the Dealer Member is designated as being in Early Warning category Level 1 and the sanctions outlined in the Corporation rules will apply.

~~Jul-2013~~Dec-2020

FORM 1, PART I – STATEMENT D

(Dealer Member Name)

STATEMENT OF FREE CREDIT SEGREGATION AMOUNT

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
<b>A. AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL FREE CREDIT LIMIT</b>		
<b>General client free credit limit</b>		
1. C-1312	Early warning reserve of \$_____ multiplied by 12 [Report NIL if amount is negative]	_____
<b>Less client free credit balances:</b>		
2. Sch.4	Dealer Member's own [see note]	_____
3.	Carried For Type 3 Introducers	_____
4.	<b>Total client free credit balances</b> [Section A, Line 2 plus Section A, Line 3]	_____
5.	<b>AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL CLIENT FREE CREDIT LIMIT</b> [Section A, Line 4 minus Section A, Line 1; report NIL if result is negative; see note]	_____
<b>B. AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT</b>		
<b>Client free credit limit for margin lending purposes</b>		
1. C-1312	Early warning reserve of \$_____ multiplied by 20 [Report NIL if amount is negative]	_____
<b>Less client free credit balances used to finance client margin loans:</b>		
2.	Total settlement date client margin debit balances	_____
3.	Total client free credit balances [Include amount from Section A, Line 4 above]	_____
4.	<b>Subtotal - Client free credit balances used to finance client margin loans</b> [Lesser of Section B, Line 2 and Section B, Line 3]	_____
5.	<b>Amount required to segregate relating to margin lending</b> [Section B, Line 4 minus Section B, Line 1; report NIL if result is negative]	_____
<b>Free credit limit for all other purposes</b>		
6. C-1312	Early warning reserve [Report NIL if amount is negative]	_____
7.	Total settlement date client margin debit balances divided by 20	_____
8.	<b>Portion of early warning reserve available to support all other uses of client free credits</b> [Section B, Line 6 minus Section B, Line 7; report NIL if result is negative]	_____
9.	<b>Client free credit limit for all other purposes</b> [Section B, Line 8 multiplied by 12]	_____
10.	<b>Client free credits not used to finance margin loans</b> [Section A, Line 4 minus Section B, Line 4]	_____
11.	<b>Amount required to segregate relating to all other purposes</b> [Section B, Line 10 minus Section B, Line 9; report NIL if result is negative]	_____
12.	<b>AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT</b> [Section B, Line 5 plus Section B, Line 11]	_____
<b>C. AMOUNT REQUIRED TO SEGREGATE</b>		
1.	Amount required to segregate based on general client free credit limit [Section A, Line 5]	_____
2.	Amount required to segregate based on margin lending adjusted client free credit limit [Section B, Line 12]	_____
3.	<b>AMOUNT REQUIRED TO SEGREGATE</b> [Lesser of Section C, Line 1 and Section C, Line 2 if Section B completed; otherwise Section C, Line 1]	_____

Mar-2017 Dec-2020



FORM 1, PART I – STATEMENT D

**D. AMOUNT IN SEGREGATION:**

1.	A-3	Client funds held in trust in an account with an <i>acceptable institution</i> [see note]	-----	-----
2.	Sch.2	Market value of securities owned and in segregation [see note]	-----	-----
3.		<b>AMOUNT IN SEGREGATION</b> [Section D, Line 1 plus Section D, Line 2]	-----	-----
4.		<b>NET SEGREGATION EXCESS (DEFICIENCY)</b> [Section D, Line 3 minus Section C, Line 3, see note]	-----	-----

**NOTES:**

**General** – The client free credit limit and segregation requirements must be calculated at least weekly, but more frequently if required, consistent with the monitoring requirements for the early warning tests.

**Section A, Lines 2 and 3** - Free credit balances in RRSP and other similar accounts should not be included. Refer to Schedule 4 - Notes and Instructions for discussion of trade versus settlement date reporting of free credit balances. For purposes of this statement, a free credit is:

- (a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of the *market value* of short positions and regulatory margin on those shorts.
- (b) For futures accounts - any credit balance less an amount equal to the aggregate of margin required to carry open futures contracts and/or futures contracts option positions less equity in those contracts plus deficits in those contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

**Section A, Line 5** - If Nil, no further calculation on this Statement need be done.

**Section B, Line 2** - Client margin debit balances reported on this line must be determined on a settlement date basis in order to exclude margin debit amounts relating to pending trades that have not yet settled.

**Section D, Line 1** - The trust must be an obligation binding the Dealer Member (the trustee) to deal with the free credits over which it has control (the trust property), for the benefit of the client (the beneficiary). The trust property must be clearly identified as such even if residing with an *acceptable institution*.

FUNDS HELD IN TRUST FOR RRSP AND OTHER SIMILAR ACCOUNTS ARE NOT TO BE INCLUDED IN THIS CALCULATION.

**Section D, Line 2** - The securities to be included are Canadian bank paper with an original term of 1 year or less and bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basel Accord and that the securities are currently rated Aaa or AAA by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, respectively) which are segregated and held separate and apart from the Dealer Member’s property.

**Section D, Line 4** - If negative, then a segregation deficiency exists, and the Dealer Member must correct the segregation deficiency within 5 business days following the determination of the deficiency. The Dealer Member must provide an explanation of how the deficiency was corrected as well as the date of correction.

## FORM 1, PART I – STATEMENT E

(Dealer Member Name)

## STATEMENT OF INCOME AND COMPREHENSIVE INCOME

for the period ended \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR / MONTH) C\$'000	(PREVIOUS YEAR / MONTH) C\$'000
<b>COMMISSION REVENUE</b>			
1.	Listed Canadian securities	-----	-----
2.	Other securities	-----	-----
3.	Mutual funds	-----	-----
4.	Listed Canadian options	-----	-----
5.	Other listed options	-----	-----
6.	Listed Canadian futures	-----	-----
7.	Other futures	-----	-----
8.	OTC derivatives	-----	-----
<b>PRINCIPAL REVENUE</b>			
9.	Listed Canadian options and related underlying securities	-----	-----
10.	Other Equities and options	-----	-----
11.	Debt	-----	-----
12.	Money market	-----	-----
13.	Futures	-----	-----
14.	OTC derivatives	-----	-----
<b>CORPORATE FINANCE REVENUE</b>			
15.	New issues – equity	-----	-----
16.	New issues – debt	-----	-----
17.	Corporate advisory fees	-----	-----
<b>OTHER REVENUE</b>			
18.	Interest	-----	-----
19.	Fees	-----	-----
20.	Other [provide details]	-----	-----
21.	TOTAL REVENUE	-----	-----
<b>EXPENSES</b>			
22.	Variable compensation	-----	-----
23.	Commissions and fees paid to third parties	-----	-----
24.	Bad debt expense	-----	-----
25.	Interest expense on subordinated debt	-----	-----
26.	Financing cost	-----	-----
27.	Corporate finance cost	-----	-----
28.	Unusual items [provide details]	-----	-----
29.	Pre-tax profit (loss) for the period from discontinued operations	-----	-----

[See notes and instructions]

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FORM 1, PART I – STATEMENT E

30.	Operating expenses	-----	-----	-----
31.	<b>Profit [loss] for Early Warning test</b>	-----	-----	-----
32.	Income – Asset revaluation	-----	-----	-----
33.	Expense – Asset revaluation	-----	-----	-----
34.	Interest expense on internal subordinated debt	-----	-----	-----
35.	Bonuses	-----	-----	-----
36.	<b>Net income/(loss) before income tax</b>	-----	-----	-----
37.	S-6(5) Income tax expense (recovery), including taxes on profit (loss) from discontinued operations	-----	-----	-----
38.	<b>PROFIT [LOSS] FOR PERIOD</b>	-----	-----	-----
			F-11	
<b>Other comprehensive income</b>				
39.	Gain (loss) arising on revaluation of properties	-----	-----	-----
			F-5a	
40.	Actuarial gain (loss) on defined benefit pension plans	-----	-----	-----
			F-5b	
41.	Other comprehensive income for the period, net of tax [Lines 39 plus 40]	-----	-----	-----
			For MFR reporting E-41 is the net change to A- <del>71</del> <u>70</u> Reserves	
42.	<b>Total comprehensive income for the period</b> [Lines 38 plus 41]	-----	-----	-----
Note: The following lines must also be completed when filing the MFR:				
43.	Payment of dividends or partners drawings	-----	-----	-----
44.	Other [provide details]	-----	-----	-----
45.	<b>NET CHANGE TO RETAINED EARNINGS</b> [Lines 38, 43 and 44]	-----	-----	-----

[See notes and instructions]

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FORM 1, PART I – STATEMENT F

(Dealer Member Name)

STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS (CORPORATIONS) OR  
UNDIVIDED PROFITS (PARTNERSHIPS)

for the year ended \_\_\_\_\_

A. CHANGES IN ISSUED CAPITAL

	NOTES	SHARE CAPITAL OR PARTNERSHIP CAPITAL [a] C\$'000	SHARE PREMIUM [b] C\$'000	ISSUED CAPITAL [c] = [a] + [b] C\$'000
1. Beginning balance	-----	-----	-----	-----
2. Increases (decreases) during the period [provide details]				
(a)	-----	-----	-----	-----
(b)	-----	-----	-----	-----
(c)	-----	-----	-----	-----
3. Ending balance		=====	=====	=====

A-7069

B. CHANGES IN RESERVES

	NOTES	GENERAL [a] C\$'000	PROPERTIES REVALUATION [b] C\$'000	EMPLOYEE BENEFITS [c] C\$'000	EMPLOYEE DEFINED BENEFIT PENSION [d] C\$'000	TOTAL RESERVES [e] = [a] + [b] + [c] + [d] C\$'000
4. Beginning balance	-----	-----	-----	-----	-----	-----
5. Changes during the period						
(a) Other comprehensive income for the year – properties revaluation	-----	-----	-----	-----	-----	-----
(b) Other comprehensive income for the year – actuarial gain (loss) on defined benefit pension plans	-----	-----	-----	-----	-----	-----

E-39

[See notes and instructions]

Feb-2011 Dec-2020

FORM 1, PART I – STATEMENT F

				E-40	
(c)	Recognition of share-based payments				
			E-30		
(d)	Transfer from/to retained earnings				
		F-12			
(e)	Other [provide details]				
6.	Ending balance				A-7170

C. CHANGES IN RETAINED EARNINGS

		NOTES	RETAINED EARNINGS (CURRENT YEAR) C\$'000	RETAINED EARNINGS (PREVIOUS YEAR) C\$'000
7.	Beginning balance			
8.	Effect of change in accounting policy [provide details]			
	(a)		N/A	
	(b)		N/A	
9.	As restated		N/A	
10.	Payment of dividends or partners drawings			
11.	Profit or loss for the year			
			E-38	
12.	Other direct charges or credits to retained earnings [provide details]			
	(a)			
	(b)			
	(c)			
13.	Ending balance			
			A-7271	

[See notes and instructions]

Feb-2011Dec-2020

FORM 1, PART II – SCHEDULE 6A

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

**TAX RECOVERIES**

C\$'000

**A. TAX RECOVERY FOR RISK ADJUSTED CAPITAL**

- 1. Sch. 6, Income tax expense (recovery) [must be greater than 0, else N/A]  
Line 5 \_\_\_\_\_
- 2. A-21 Commission and/or fees receivable (non allowable assets) of \$ \_\_\_\_\_ multiplied  
by an effective corporate tax rate of \_\_\_\_\_% \_\_\_\_\_
- 3. TAX RECOVERY - ASSETS [100% of lesser of Lines 1 and 2] \_\_\_\_\_
- 4. Balance of current income tax expense available for margin and securities  
concentration charge tax recovery [Line 1 minus Line 3] \_\_\_\_\_
- 5. Recoverable taxes from preceding three years of \$ \_\_\_\_\_ net of current year tax  
recovery (if applicable) of \$ \_\_\_\_\_ \_\_\_\_\_
- 6. Total available for margin tax recovery [Line 4 plus Line 5] \_\_\_\_\_
- 7. B-24 Total margin required of \$ \_\_\_\_\_ multiplied by an effective corporate tax rate of  
\_\_\_\_\_% \_\_\_\_\_
- 8. TAX RECOVERY - MARGIN [75% of lesser of Lines 6 and 7] \_\_\_\_\_
- 9. TOTAL TAX RECOVERY BEFORE TAX RECOVERY ON SECURITIES CONCENTRATION CHARGE [Line  
3 plus Line 8] \_\_\_\_\_  
B-26
- 10. Balance of taxes available for securities concentration charge tax recovery [Line 6  
minus Line 8, must be greater than 0, else N/A] \_\_\_\_\_
- 11. Sch. 9 Total securities concentration charge of \$ \_\_\_\_\_ multiplied by an effective  
corporate tax rate of \_\_\_\_\_% \_\_\_\_\_
- 12. TAX RECOVERY - SECURITIES CONCENTRATION CHARGE [75% of lesser of Lines 10 and 11] \_\_\_\_\_  
B-28
- 13. TOTAL TAX RECOVERY RAC [Line 3 plus Line 8 plus Line 12] \_\_\_\_\_  
C-3

**B. TAX RECOVERY FOR EARLY WARNING CALCULATION:**

- 1. Sch. 6, Income tax expense (recovery) [must be greater than 0, else N/A]  
Line 5 \_\_\_\_\_
- 2. A-15 Commission and/or fees receivable (allowable assets) \_\_\_\_\_
- 3. A-21 Commission and/or fees receivable (non allowable assets) \_\_\_\_\_
- 4. SUBTOTAL [Line 2 plus Line 3] \_\_\_\_\_
- 5. Line 4 multiplied by an effective corporate tax rate of \_\_\_\_\_% \_\_\_\_\_
- 6. TAX RECOVERY - INCOME ACCRUALS [100% of lesser of Lines 1 and 5] \_\_\_\_\_

C-109

[See notes and instructions]

~~Jul-2013~~ Dec-2020

FORM 1, PART II – SCHEDULE 13

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

EARLY WARNING TESTS - LEVEL 1

C\$'000

A. LIQUIDITY TEST

Is Early Warning Reserve (Stmt. C, Line ~~13~~12) less than 0?

-----  
YES/NO

B. CAPITAL TEST

1. Risk Adjusted Capital (RAC) [Stmt. B, Line 29]
2. Total Margin Required [Stmt. B, Line 24] multiplied by 5%

Is Line 1 less than Line 2?

-----  
YES/NO

C. PROFITABILITY TEST #1

	Months	Profit or loss for 6 months ending with current month [note 2]	Profit or loss for 6 months ending with preceding month [note 2]
		C\$'000	C\$'000
1. Current month	-----	-----	-----
2. Preceding month	-----	-----	-----
3. 3rd month	-----	-----	-----
4. 4th month	-----	-----	-----
5. 5th month	-----	-----	-----
6. 6th month	-----	-----	-----
7. 7th month	-----	-----	-----
8. TOTAL [note 3]		=====	=====
9. AVERAGE multiplied by -1		=====	=====
10A. RAC [at Form 1 date]		=====	
10B. RAC [at preceding month end]			=====
11A. Line 10A divided by Line 9		=====	
11B. Line 10B divided by Line 9			=====

Are both of the following conditions true:

1. Line 11A is greater than or equal to 3 but less than 6, and
2. Line 11B less than 6?

-----  
YES/NO

D. PROFITABILITY TEST #2

1. Loss for current month [notes 2 and 4] multiplied by -6
2. RAC [at Form 1 date]

Is Line 2 less than Line 1?

-----  
YES/NO

[See notes and instructions]

~~Jul-2013~~Dec-2020

FORM 1, PART II – SCHEDULE 13A

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

EARLY WARNING TESTS - LEVEL 2

C\$'000

**A. LIQUIDITY TEST**

Is Early Warning Excess (Stmt. C, Line ~~11~~10) less than 0?

-----  
YES/NO

**B. CAPITAL TEST**

1. Risk Adjusted Capital (RAC) [Stmt. B, Line 29] \_\_\_\_\_
2. Total Margin Required [Stmt. B, Line 24] multiplied by 2% \_\_\_\_\_

Is Line 1 less than Line 2?

-----  
YES/NO

**C. PROFITABILITY TEST #1**

Is Schedule 13, Line 11A less than 3 AND  
Schedule 13, Line 11B less than 6?

-----  
YES/NO

**D. PROFITABILITY TEST #2**

1. Loss for current month [notes 2 and 4] multiplied by -3 \_\_\_\_\_
2. RAC [at Form 1 date] \_\_\_\_\_

Is Line 2 less than Line 1?

-----  
YES/NO

**E. PROFITABILITY TEST #3**

Profit or loss for 3  
months ending  
with current  
month  
[note 2]  
C\$'000

1. Current month \_\_\_\_\_
2. Preceding month \_\_\_\_\_
3. 3rd month \_\_\_\_\_
4. TOTAL [note 5] \_\_\_\_\_
5. RAC [at Form 1 date] \_\_\_\_\_

Months

Is loss on Line 4 greater than Line 5?

-----  
YES/NO

**F. FREQUENCY PENALTY**

Has Dealer Member:

1. Triggered Early Warning at least 3 times in the past 6 months or is RAC less than 0? \_\_\_\_\_
2. Triggered Liquidity or Capital Tests on Schedule 13? \_\_\_\_\_
3. Triggered Profitability Tests on Schedule 13? \_\_\_\_\_
4. Are Lines 2 and 3 both YES? \_\_\_\_\_

-----  
YES/NO

-----  
YES/NO

-----  
YES/NO

-----  
YES/NO

[See notes and instructions]

~~Jul-2013~~ Dec-2020



**FORM 1, PART II – SCHEDULE 14  
NOTES AND INSTRUCTIONS**

1. The purpose of this schedule is to measure the exposure a Dealer Member has to each of its providers of capital (as defined below). As such is the case, a separate copy of this schedule should be completed for each *provider of capital* where the capital provided is in excess of \$10 million.
2. For the purposes of this schedule:
  - (a) A “provider of capital” is an individual or entity and its affiliates that provides capital to a Dealer Member
  - (b) “Regulatory financial statement capital” is comprised of:
    - Total Capital (Statement A, Line ~~73~~72); plus
    - Non-refundable leasehold inducements (Statement ~~A~~B, Line ~~65~~2); plus
    - Subordinated loans (Statement A, Line ~~67~~66).
  - (c) “Regulatory financial statement capital provided by the provider of capital” is the portion of the *regulatory financial statement capital* that has been provided to the Dealer Member by the *provider of capital*

**CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL**

**Section A, Line 3** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

**Section A, Line 4** – The amount to be reported on this line refers to the entire loan receivable balance if the only collateral received for the loan is securities issued by the *provider of capital*.

**Section A, Line 5** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable or the *market value* of the securities delivered as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

**Section A, Line 6** – The amount to be reported on this line refers to the entire loan receivable balance or the *market value* of the securities delivered as collateral if the only collateral received for the loan is securities issued by the *provider of capital*.

**Section A, Line 7** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the security received pursuant to the resale agreement and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the security received] deficiency required under normal commercial terms. If the security received is a security issued by the *provider of capital* the collateral is assumed to have no value for the purposes of the above calculation.

**Section A, Lines 8, 9 and 10** – The amount to be reported on these lines refers to the amount of the loan receivable less any collateral provided other than securities issued by the *provider of capital*.

**Section A, Line 11** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered for the loan and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**Section A, Line 12** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the securities lending agreement and the amount of the loan payable or the *market value* of the securities received as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**Section A, Line 13** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the repurchase agreement and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL**

**Section B, Line 1** – Include all investments in securities issued by the *provider of capital*.

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**FORM 1, PART II – SCHEDULE 14**  
**NOTES AND INSTRUCTIONS [Continued]**

**Section B, Line 2** – Include only those loans where the agreement executed includes the industry standard wording set out in the Limited Recourse Call Loan Agreement.

**Section B, Line 3** – Include only those security positions that are otherwise eligible for offset pursuant to the Corporation’s capital requirements.

**CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL**

**Section C, Line 1** – Include the face amount of subordinated debt provided by the *provider of capital*, plus the book amount of equity capital provided by the *provider of capital* plus a pro-rata share of reserves and retained earnings.

**HOUSEKEEPING AMENDMENTS TO FORM 1 TO ADOPT IFRS REPORTING REQUIREMENTS FOR LEASES**

**CLEAN COPY OF THE HOUSEKEEPING AMENDMENTS TO FORM 1**

FORM 1, PART I – STATEMENT A

(Dealer Member Name)

STATEMENT OF FINANCIAL POSITION

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
<b>LIQUID ASSETS:</b>			
1.	Cash on deposit with <i>acceptable institutions</i>	-----	-----
2.	Funds deposited in trust for RRSP and other similar accounts	-----	-----
3.	Stmt. D Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation	-----	-----
4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]	-----	-----
5.	Margin deposits with regulated entities [cash balances only]	-----	-----
6.	Sch.1 Loans receivable, securities borrowed and resold	-----	-----
7.	Sch.2 Securities owned - at <i>market value</i>	-----	-----
8.	Sch.2 Securities owned and segregated due to free credit ratio calculation	-----	-----
9.	Sch.4 Client accounts	-----	-----
10.	Sch.5 Brokers and dealers trading balances	-----	-----
11.	Receivable from carrying broker or mutual fund	-----	-----
12.	TOTAL LIQUID ASSETS	-----	-----
<b>OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):</b>			
13.	Sch.6 Current income tax assets	-----	-----
14.	Recoverable and overpaid taxes	-----	-----
15.	Commissions and fees receivable	-----	-----
16.	Interest and dividends receivable	-----	-----
17.	Other receivables [provide details]	-----	-----
18.	TOTAL OTHER ALLOWABLE ASSETS	-----	-----
<b>NON ALLOWABLE ASSETS:</b>			
19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----
20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]	-----	-----
21.	Commissions and fees receivable	-----	-----
22.	Interest and dividends receivable	-----	-----
23.	Deferred tax assets	-----	-----
24.	Intangible assets	-----	-----
25.	Property, plant and equipment	-----	-----
26.	Investments in subsidiaries and affiliates	-----	-----
27.	Advances to subsidiaries and affiliates	-----	-----
28.	Other assets [provide details]	-----	-----
29.	TOTAL NON-ALLOWABLE ASSETS	-----	-----
30.	Finance lease assets	-----	-----
31.	TOTAL ASSETS	-----	-----

[See notes and instructions]

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FORM 1, PART I – STATEMENT A [Continued]

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
<b>CURRENT LIABILITIES:</b>			
51. Sch.7	Overdrafts, loans, securities loaned and repurchases	-----	-----
52. Sch.2	Securities sold short - at <i>market value</i>	-----	-----
53. Sch.4	Client accounts	-----	-----
54. Sch.5	Brokers and dealers	-----	-----
55.	Provisions	-----	-----
56. Sch.6	Current income tax liabilities	-----	-----
57.	Bonuses payable	-----	-----
58.	Accounts payable and accrued expenses	-----	-----
59.	Finance leases and lease-related liabilities	-----	-----
60.	Other current liabilities [provide details]	-----	-----
61.	<b>TOTAL CURRENT LIABILITIES</b>	=====	=====
<b>NON-CURRENT LIABILITIES:</b>			
62.	Provisions	-----	-----
63.	Deferred tax liabilities	-----	-----
64.	Finance leases and lease-related liabilities	-----	-----
65.	Other non-current liabilities [provide details]	-----	-----
66.	Subordinated loans	-----	-----
67.	<b>TOTAL NON-CURRENT LIABILITIES</b>	=====	=====
68.	<b>TOTAL LIABILITIES [Line 61 plus Line 67]</b>	=====	=====
<b>CAPITAL AND RESERVES:</b>			
69. Stmt. F	Issued capital	-----	-----
70. Stmt. F	Reserves	-----	-----
71. Stmt. F	Retained earnings or undivided profits	-----	-----
72.	<b>TOTAL CAPITAL</b>	=====	=====
73.	<b>TOTAL LIABILITIES AND CAPITAL</b>	=====	=====

[See notes and instructions]

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**FORM 1, PART I – STATEMENT A  
NOTES AND INSTRUCTIONS**

**Accrual basis of accounting**

Dealer Members are required to use the accrual basis of accounting.

**Line 2** - The trustee for RRSP or other similar accounts must qualify as an *acceptable institution*. Such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then the Dealer Member must report 100% of the balance held in trust as non-allowable assets on Line 28 (Non-allowable assets – other assets).

RRSP and other similar balances held at such trustee, but for which CDIC or the AMF insurance is not available, such as foreign currency accounts, can be classified as allowable assets.

The name of the RRSP trustee used by the Dealer Member must also be provided on Schedule 4.

**Line 4** - For definition of “*acceptable clearing corporations*”, see General Notes and Definitions.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

**Line 5** - For definition of “*regulated entities*”, see General Notes and Definitions.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

**Line 11** - For an introducing broker (pursuant to an approved introducing/carrying broker agreement), unsecured balances receivable from its carrying broker, such as gross commissions and deposits in the form of cash, should be reported on this line.

Unsecured balances should only be included to the extent they are not being used by the carrying broker to reduce client margin requirements.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

In the case of the salesperson’s portion of gross commissions and fees receivable, as recorded on Line 21 (Commissions and fees receivable), to the extent that there is written documentation that the broker does not have a liability to pay the salesperson’s commission until it is received, the salesperson’s portion of the gross commission receivable is an allowable asset.

**Line 13** - Include only overpayment of prior years' income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid.

**Line 14** - Include the recoverable portion of capital tax, Part VI tax, property taxes and any federal or provincial sales taxes.

Include only to extent receivable from *acceptable institutions* (for definition, see General Notes and Definitions).

**Line 18** - Allowable assets are those assets which due to their nature, location or source are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

Include only to extent receivable from *acceptable institutions* (for definition see General Notes and Definitions).

**Line 19** - Report the cash and *market value* of securities lodged with *acceptable clearing corporations* that represent fixed base deposits.

**Line 20** - To the extent receivable from other than *acceptable clearing corporations*, include all deposits whether margin deposits or variable and fixed base deposits.

**Line 21** - To the extent receivable from parties other than *acceptable institutions*.

**Line 22** - To the extent receivable from parties other than *acceptable institutions*.

**Line 24** - Start-up and organizational costs cannot be capitalized. Examples of intangible assets include goodwill and client lists.

**Line 26** - Investments in subsidiaries and affiliates must be valued at cost.

**Line 27** - A Dealer Member must report non-trading inter-company receivables on a gross basis unless the criteria for netting are met.

**Line 28** - Including but not limited to such items as:

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**FORM 1, PART I – STATEMENT A**  
**NOTES AND INSTRUCTIONS [Continued]**

- prepaid expenses
- cash surrender value of life insurance
- advances to employees (gross)
- other receivables from other than *acceptable institutions*
- cash on deposit with non *acceptable institutions*

**Line 29** - Non-allowable assets mean those assets that do not qualify as allowable assets.

**Line 30** - Assets arising from a finance lease (also known as a capitalized lease).

**Line 55** - Recognize a liability to cover specific expenditures relating to legal and constructive obligations.

A Dealer Member cannot hold provisions as a general reserve to be applied against some other unrelated expenditure.

**Line 57** - Include discretionary bonuses payable and bonuses payable to shareholders in accordance with share ownership.

**Line 60** - Include unclaimed dividends and interest.

**Line 66** - Subordinated loans mean approved loans, pursuant to an agreement in writing in a form satisfactory to the Corporation, obtained from a chartered bank or any other lending institution, industry investor approved as such by the Corporation, or non-industry investor subject to the Corporation's approval, the payment of which is deferred in favor of other creditors and is subject to regulatory approval.

A Dealer Member must not pay a debt owed to any of its creditors contrary to any subordination or other agreement to which it and the Corporation are parties.

**Line 70** - Reserve is an amount set aside for future use, expense, loss or claim – in accordance with statute or regulation. It includes an amount appropriated from retained earnings – in accordance with statute or regulation. It also includes accumulated other comprehensive income (OCI).

**Line 71** - Retained earnings represent the accumulated balance of income less losses arising from the operation of the business, after taking into account dividends and other direct charges or credits.

## FORM 1, PART I – STATEMENT B

(Dealer Member Name)

## STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. A-72	Total Capital	-----	-----
2.	<b>Add:</b> Non-refundable leasehold inducements	-----	-----
3. A-66	<b>Add:</b> Subordinated loans	-----	-----
4.	REGULATORY FINANCIAL STATEMENT CAPITAL	-----	-----
5. A-29	<b>Deduct:</b> Total Non allowable assets	-----	-----
6.	NET ALLOWABLE ASSETS	-----	-----
7.	<b>Deduct:</b> Minimum capital	-----	-----
8.	SUBTOTAL	-----	-----
<b>Deduct - Margin required:</b>			
9. Sch.1	Loans receivable, securities borrowed and resold	-----	-----
10. Sch.2	Securities owned and sold short	-----	-----
11. Sch.2A	Underwriting concentration	-----	-----
12. Sch.4	Client accounts	-----	-----
13. Sch.5	Brokers and dealers	-----	-----
14. Sch.7	Loans and repurchases	-----	-----
15.	Contingent liabilities [provide details]	-----	-----
16. Sch.10	Financial institution bond deductible [greatest under any clause]	-----	-----
17. Sch.11	Unhedged foreign currencies	-----	-----
18. Sch.12	Futures contracts	-----	-----
19. Sch.14	Provider of capital concentration charge	-----	-----
20.	Securities held at non-acceptable securities locations	-----	-----
21. Sch.7A	Acceptable counterparties financing activities concentration charge	-----	-----
22.	Unresolved differences [provide details]	-----	-----
23.	Other [provide details]	-----	-----
24.	TOTAL MARGIN REQUIRED [Lines 9 to 23]	-----	-----
25.	SUBTOTAL [Line 8 less Line 24]	-----	-----
26. Sch.6A	<b>Add:</b> Applicable tax recoveries	-----	-----
27.	Risk Adjusted Capital before securities concentration charge [Line 25 plus Line 26]	-----	-----
28. Sch.9	<b>Deduct:</b> Securities concentration charge of _____	-----	-----
Sch.6A	less tax recoveries of _____	-----	-----
29.	RISK ADJUSTED CAPITAL [Line 27 less Line 28]	-----	-----

[See notes and instructions]

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FORM 1, PART I – STATEMENT C

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

STATEMENT OF EARLY WARNING EXCESS AND EARLY WARNING RESERVE

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
1. B-29 RISK ADJUSTED CAPITAL		_____
<b>LIQUIDITY ITEMS -</b>		
<b>DEDUCT:</b>		
2. A-18 Other allowable assets	-----	-----
3. Sch.6A Tax recoveries	-----	-----
4. Securities held at non-acceptable securities locations	-----	-----
<b>ADD:</b>		
5. A-67 Non-current liabilities	-----	-----
6. A-66 Less: Subordinated loans	-----	-----
7. A-64 Less: Finance leases and lease-related liabilities	-----	-----
8. Adjusted non-current liabilities for Early Warning purposes	-----	-----
9. Sch.6A Tax recoveries - income accruals	-----	-----
10. EARLY WARNING EXCESS		_____
<b>DEDUCT: CAPITAL CUSHION -</b>		
11. B-24 Total margin required \$ _____ multiplied by 5%	-----	-----
12. EARLY WARNING RESERVE [Line 10 less Line 11]		_____

[See notes and instructions]

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**FORM 1, PART I – STATEMENT C**  
**NOTES AND INSTRUCTIONS**

The Early Warning system is designed to provide advance warning of a Dealer Member encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage Dealer Members to build a capital cushion.

**Line 1** - If Risk Adjusted Capital of the Dealer Member is less than:

- (a) 5% of total margin required (Line 11 above), then the Dealer Member is designated as being in Early Warning category **Level 1**, or
- (b) 2% of total margin required (Line 11 above), then the Dealer Member is designated as being in Early Warning category **Level 2**,

and the applicable sanctions outlined in the Corporation rules will apply.

**Lines 2 and 3** - These items are deducted from RAC because they are illiquid or the receipt is either out of the Dealer Member's control or contingent.

**Line 4** - Pursuant to the Notes and Instructions for the completion of Statement B, Line 20, where the entity would otherwise qualify as an acceptable securities location except for the fact that the Dealer Member has not entered into a written custodial agreement with the entity, as required by Corporation rules, the Dealer Member will be required to deduct an amount up to 10% of the *market value* of the securities held in custody with the entity, in the calculation of its Early Warning Reserve. Please refer to the detailed calculation formula set out to the Notes and Instructions for the completion of Statement B, Line 20 to determine the capital requirement to be reported on Statement C, Line 4.

**Lines 5, 6, 7 and 8** - Non-current liabilities (other than subordinated loans, and non-current portion of finance leases and lease-related liabilities) are added back to RAC as they are not current obligations of the Dealer Member and can be used as financing.

**Line 9** - This add-back ensures that the Dealer Member is not penalized at the Early Warning level for accruing income.

**Line 10** - If Early Warning Excess is negative, the Dealer Member is designated as being in Early Warning category Level 2 and the sanctions outlined in the Corporation rules will apply.

**Line 12** - If the Early Warning Reserve is negative, the Dealer Member is designated as being in Early Warning category Level 1 and the sanctions outlined in the Corporation rules will apply.

FORM 1, PART I – STATEMENT D

(Dealer Member Name)

STATEMENT OF FREE CREDIT SEGREGATION AMOUNT

at \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
<b>A. AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL FREE CREDIT LIMIT</b>		
<b>General client free credit limit</b>		
1. C-12	Early warning reserve of \$_____ multiplied by 12 [Report NIL if amount is negative]	_____
<b>Less client free credit balances:</b>		
2. Sch.4	Dealer Member's own [see note]	-----
3.	Carried For Type 3 Introducers	-----
4.	<b>Total client free credit balances</b> [Section A, Line 2 plus Section A, Line 3]	_____
5.	<b>AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL CLIENT FREE CREDIT LIMIT</b> [Section A, Line 4 minus Section A, Line 1; report NIL if result is negative; see note]	_____
<b>B. AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT</b>		
<b>Client free credit limit for margin lending purposes</b>		
1. C-12	Early warning reserve of \$_____ multiplied by 20 [Report NIL if amount is negative]	_____
<b>Less client free credit balances used to finance client margin loans:</b>		
2.	Total settlement date client margin debit balances	-----
3.	Total client free credit balances [Include amount from Section A, Line 4 above]	-----
4.	<b>Subtotal - Client free credit balances used to finance client margin loans</b> [Lesser of Section B, Line 2 and Section B, Line 3]	_____
5.	<b>Amount required to segregate relating to margin lending</b> [Section B, Line 4 minus Section B, Line 1; report NIL if result is negative]	_____
<b>Free credit limit for all other purposes</b>		
6. C-12	Early warning reserve [Report NIL if amount is negative]	-----
7.	Total settlement date client margin debit balances divided by 20	-----
8.	<b>Portion of early warning reserve available to support all other uses of client free credits</b> [Section B, Line 6 minus Section B, Line 7; report NIL if result is negative]	_____
9.	<b>Client free credit limit for all other purposes</b> [Section B, Line 8 multiplied by 12]	_____
10.	<b>Client free credits not used to finance margin loans</b> [Section A, Line 4 minus Section B, Line 4]	_____
11.	<b>Amount required to segregate relating to all other purposes</b> [Section B, Line 10 minus Section B, Line 9; report NIL if result is negative]	_____
12.	<b>AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT</b> [Section B, Line 5 plus Section B, Line 11]	_____
<b>C. AMOUNT REQUIRED TO SEGREGATE</b>		
1.	Amount required to segregate based on general client free credit limit [Section A, Line 5]	_____
2.	Amount required to segregate based on margin lending adjusted client free credit limit [Section B, Line 12]	_____
3.	<b>AMOUNT REQUIRED TO SEGREGATE</b> [Lesser of Section C, Line 1 and Section C, Line 2 if Section B completed; otherwise Section C, Line 1]	_____

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FORM 1, PART I – STATEMENT D

**D. AMOUNT IN SEGREGATION:**

1.	A-3 Client funds held in trust in an account with an <i>acceptable institution</i> [see note]	-----	-----
2.	Sch.2 Market value of securities owned and in segregation [see note]	-----	-----
3.	<b>AMOUNT IN SEGREGATION</b> [Section D, Line 1 plus Section D, Line 2]	-----	-----
4.	<b>NET SEGREGATION EXCESS (DEFICIENCY)</b> [Section D, Line 3 minus Section C, Line 3, see note]	-----	=====

**NOTES:**

**General** – The client free credit limit and segregation requirements must be calculated at least weekly, but more frequently if required, consistent with the monitoring requirements for the early warning tests.

**Section A, Lines 2 and 3** - Free credit balances in RRSP and other similar accounts should not be included. Refer to Schedule 4 - Notes and Instructions for discussion of trade versus settlement date reporting of free credit balances. For purposes of this statement, a free credit is:

- (a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of the *market value* of short positions and regulatory margin on those shorts.
- (b) For futures accounts - any credit balance less an amount equal to the aggregate of margin required to carry open futures contracts and/or futures contracts option positions less equity in those contracts plus deficits in those contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

**Section A, Line 5** - If Nil, no further calculation on this Statement need be done.

**Section B, Line 2** - Client margin debit balances reported on this line must be determined on a settlement date basis in order to exclude margin debit amounts relating to pending trades that have not yet settled.

**Section D, Line 1** - The trust must be an obligation binding the Dealer Member (the trustee) to deal with the free credits over which it has control (the trust property), for the benefit of the client (the beneficiary). The trust property must be clearly identified as such even if residing with an *acceptable institution*.

FUNDS HELD IN TRUST FOR RRSP AND OTHER SIMILAR ACCOUNTS ARE NOT TO BE INCLUDED IN THIS CALCULATION.

**Section D, Line 2** - The securities to be included are Canadian bank paper with an original term of 1 year or less and bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basel Accord and that the securities are currently rated Aaa or AAA by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, respectively) which are segregated and held separate and apart from the Dealer Member’s property.

**Section D, Line 4** - If negative, then a segregation deficiency exists, and the Dealer Member must correct the segregation deficiency within 5 business days following the determination of the deficiency. The Dealer Member must provide an explanation of how the deficiency was corrected as well as the date of correction.

FORM 1, PART I – STATEMENT E

(Dealer Member Name)

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

for the period ended \_\_\_\_\_

REFERENCE	NOTES	(CURRENT YEAR / MONTH) C\$'000	(PREVIOUS YEAR / MONTH) C\$'000
<b>COMMISSION REVENUE</b>			
1.	Listed Canadian securities	-----	-----
2.	Other securities	-----	-----
3.	Mutual funds	-----	-----
4.	Listed Canadian options	-----	-----
5.	Other listed options	-----	-----
6.	Listed Canadian futures	-----	-----
7.	Other futures	-----	-----
8.	OTC derivatives	-----	-----
<b>PRINCIPAL REVENUE</b>			
9.	Listed Canadian options and related underlying securities	-----	-----
10.	Other Equities and options	-----	-----
11.	Debt	-----	-----
12.	Money market	-----	-----
13.	Futures	-----	-----
14.	OTC derivatives	-----	-----
<b>CORPORATE FINANCE REVENUE</b>			
15.	New issues – equity	-----	-----
16.	New issues – debt	-----	-----
17.	Corporate advisory fees	-----	-----
<b>OTHER REVENUE</b>			
18.	Interest	-----	-----
19.	Fees	-----	-----
20.	Other [provide details]	-----	-----
21.	TOTAL REVENUE	-----	-----
<b>EXPENSES</b>			
22.	Variable compensation	-----	-----
23.	Commissions and fees paid to third parties	-----	-----
24.	Bad debt expense	-----	-----
25.	Interest expense on subordinated debt	-----	-----
26.	Financing cost	-----	-----
27.	Corporate finance cost	-----	-----
28.	Unusual items [provide details]	-----	-----
29.	Pre-tax profit (loss) for the period from discontinued operations	-----	-----

[See notes and instructions]

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FORM 1, PART I – STATEMENT E

30.	Operating expenses	-----	-----
31.	<b>Profit [loss] for Early Warning test</b>	-----	-----
32.	Income – Asset revaluation	-----	-----
33.	Expense – Asset revaluation	-----	-----
34.	Interest expense on internal subordinated debt	-----	-----
35.	Bonuses	-----	-----
36.	<b>Net income/(loss) before income tax</b>	-----	-----
37. S-6(5)	Income tax expense (recovery), including taxes on profit (loss) from discontinued operations	-----	-----
38.	<b>PROFIT [LOSS] FOR PERIOD</b>	-----	-----

F-11

**Other comprehensive income**

39.	Gain (loss) arising on revaluation of properties	-----	-----
40.	Actuarial gain (loss) on defined benefit pension plans	-----	-----
41.	Other comprehensive income for the period, net of tax [Lines 39 plus 40]	-----	-----
42.	<b>Total comprehensive income for the period</b> [Lines 38 plus 41]	-----	-----

F-5a

F-5b

For MFR reporting E-41 is the net change to A-70 Reserves

Note: The following lines must also be completed when filing the MFR:

43.	Payment of dividends or partners drawings	-----	-----
44.	Other [provide details]	-----	-----
45.	<b>NET CHANGE TO RETAINED EARNINGS</b> [Lines 38, 43 and 44]	-----	-----

[See notes and instructions]

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FORM 1, PART I – STATEMENT F

(Dealer Member Name)

STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS (CORPORATIONS) OR  
UNDIVIDED PROFITS (PARTNERSHIPS)

for the year ended \_\_\_\_\_

A. CHANGES IN ISSUED CAPITAL

	NOTES	SHARE CAPITAL OR PARTNERSHIP CAPITAL [a] C\$'000	SHARE PREMIUM [b] C\$'000	ISSUED CAPITAL [c] = [a] + [b] C\$'000
1. Beginning balance	-----	-----	-----	-----
2. Increases (decreases) during the period [provide details]				
(a)	-----	-----	-----	-----
(b)	-----	-----	-----	-----
(c)	-----	-----	-----	-----
3. Ending balance		=====	=====	=====

A-69

B. CHANGES IN RESERVES

	NOTES	GENERAL [a] C\$'000	PROPERTIES REVALUATION [b] C\$'000	EMPLOYEE BENEFITS [c] C\$'000	EMPLOYEE DEFINED BENEFIT PENSION [d] C\$'000	TOTAL RESERVES [e] = [a] + [b] + [c] + [d] C\$'000
4. Beginning balance	-----	-----	-----	-----	-----	-----
5. Changes during the period						
(a) Other comprehensive income for the year – properties revaluation	-----	-----	-----	-----	-----	-----
(b) Other comprehensive income for the year – actuarial gain (loss) on defined benefit pension plans	-----	-----	-----	-----	-----	-----

E-39

[See notes and instructions]

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FORM 1, PART I – STATEMENT F

					E-40
(c)	Recognition of share-based payments				
				E-30	
(d)	Transfer from/to retained earnings				
		F-12			
(e)	Other [provide details]				
6.	Ending balance				A-70

C. CHANGES IN RETAINED EARNINGS

	NOTES	RETAINED EARNINGS (CURRENT YEAR) C\$'000	RETAINED EARNINGS (PREVIOUS YEAR) C\$'000
7.	Beginning balance		
8.	Effect of change in accounting policy [provide details]		
	(a)	N/A	
	(b)	N/A	
9.	As restated	N/A	
10.	Payment of dividends or partners drawings		
11.	Profit or loss for the year		
		E-38	
12.	Other direct charges or credits to retained earnings [provide details]		
	(a)		
	(b)		
	(c)		
13.	Ending balance		
		A-71	

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 6A

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

**TAX RECOVERIES**

C\$'000

**A. TAX RECOVERY FOR RISK ADJUSTED CAPITAL**

1.	Sch. 6, Income tax expense (recovery) [must be greater than 0, else N/A] Line 5	-----
2.	A-21 Commission and/or fees receivable (non allowable assets) of \$_____ multiplied by an effective corporate tax rate of _____%	----- -----
3.	TAX RECOVERY - ASSETS [100% of lesser of Lines 1 and 2]	-----
4.	Balance of current income tax expense available for margin and securities concentration charge tax recovery [Line 1 minus Line 3]	-----
5.	Recoverable taxes from preceding three years of \$_____ net of current year tax recovery (if applicable) of \$_____	----- -----
6.	Total available for margin tax recovery [Line 4 plus Line 5]	-----
7.	B-24 Total margin required of \$_____ multiplied by an effective corporate tax rate of _____%	----- -----
8.	TAX RECOVERY - MARGIN [75% of lesser of Lines 6 and 7]	-----
9.	TOTAL TAX RECOVERY BEFORE TAX RECOVERY ON SECURITIES CONCENTRATION CHARGE [Line 3 plus Line 8]	----- -----
		B-26
10.	Balance of taxes available for securities concentration charge tax recovery [Line 6 minus Line 8, must be greater than 0, else N/A]	-----
11.	Sch. 9 Total securities concentration charge of \$_____ multiplied by an effective corporate tax rate of _____%	----- -----
12.	TAX RECOVERY - SECURITIES CONCENTRATION CHARGE [75% of lesser of Lines 10 and 11]	----- -----
		B-28
13.	TOTAL TAX RECOVERY RAC [Line 3 plus Line 8 plus Line 12]	----- -----
		C-3

**B. TAX RECOVERY FOR EARLY WARNING CALCULATION:**

1.	Sch. 6, Income tax expense (recovery) [must be greater than 0, else N/A] Line 5	-----
2.	A-15 Commission and/or fees receivable (allowable assets)	-----
3.	A-21 Commission and/or fees receivable (non allowable assets)	-----
4.	SUBTOTAL [Line 2 plus Line 3]	-----
5.	Line 4 multiplied by an effective corporate tax rate of _____%	-----
6.	TAX RECOVERY - INCOME ACCRUALS [100% of lesser of Lines 1 and 5]	----- -----
		C-9

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 13

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

**EARLY WARNING TESTS - LEVEL 1**

C\$'000

**A. LIQUIDITY TEST**

Is Early Warning Reserve (Stmt. C, Line 12) less than 0?

-----  
YES/NO

**B. CAPITAL TEST**

1. Risk Adjusted Capital (RAC) [Stmt. B, Line 29]
2. Total Margin Required [Stmt. B, Line 24] multiplied by 5%

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Is Line 1 less than Line 2?

-----  
YES/NO

**C. PROFITABILITY TEST #1**

	Months	Profit or loss for 6 months ending with current month [note 2] C\$'000	Profit or loss for 6 months ending with preceding month [note 2] C\$'000
1. Current month	-----	-----	-----
2. Preceding month	-----	-----	-----
3. 3rd month	-----	-----	-----
4. 4th month	-----	-----	-----
5. 5th month	-----	-----	-----
6. 6th month	-----	-----	-----
7. 7th month	-----	-----	-----
8. TOTAL [note 3]		_____	_____
9. AVERAGE multiplied by -1		_____	_____
10A. RAC [at Form 1 date]		_____	
10B. RAC [at preceding month end]		_____	_____
11A. Line 10A divided by Line 9		_____	
11B. Line 10B divided by Line 9		_____	_____

Are both of the following conditions true:

1. Line 11A is greater than or equal to 3 but less than 6, and
2. Line 11B less than 6?

-----  
YES/NO

**D. PROFITABILITY TEST #2**

1. Loss for current month [notes 2 and 4] multiplied by -6
2. RAC [at Form 1 date]

\_\_\_\_\_  
\_\_\_\_\_

Is Line 2 less than Line 1?

-----  
YES/NO

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 13A

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

EARLY WARNING TESTS - LEVEL 2

C\$'000

**A. LIQUIDITY TEST**

Is Early Warning Excess (Stmt. C, Line 10) less than 0?

-----  
YES/NO

**B. CAPITAL TEST**

1. Risk Adjusted Capital (RAC) [Stmt. B, Line 29] \_\_\_\_\_
2. Total Margin Required [Stmt. B, Line 24] multiplied by 2% \_\_\_\_\_

Is Line 1 less than Line 2?

-----  
YES/NO

**C. PROFITABILITY TEST #1**

Is Schedule 13, Line 11A less than 3 AND  
Schedule 13, Line 11B less than 6?

-----  
YES/NO

**D. PROFITABILITY TEST #2**

1. Loss for current month [notes 2 and 4] multiplied by -3 \_\_\_\_\_
2. RAC [at Form 1 date] \_\_\_\_\_

Is Line 2 less than Line 1?

-----  
YES/NO

**E. PROFITABILITY TEST #3**

Profit or loss for 3  
months ending  
with current  
month  
[note 2]  
C\$'000

1. Current month \_\_\_\_\_
2. Preceding month \_\_\_\_\_
3. 3rd month \_\_\_\_\_
4. TOTAL [note 5] \_\_\_\_\_
5. RAC [at Form 1 date] \_\_\_\_\_

Is loss on Line 4 greater than Line 5?

-----  
YES/NO

**F. FREQUENCY PENALTY**

Has Dealer Member:

1. Triggered Early Warning at least 3 times in the past 6 months or is RAC less than 0? \_\_\_\_\_
2. Triggered Liquidity or Capital Tests on Schedule 13? \_\_\_\_\_  
YES/NO
3. Triggered Profitability Tests on Schedule 13? \_\_\_\_\_  
YES/NO
4. Are Lines 2 and 3 both YES? \_\_\_\_\_

-----  
YES/NO

[See notes and instructions]

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**FORM 1, PART II – SCHEDULE 14  
NOTES AND INSTRUCTIONS**

1. The purpose of this schedule is to measure the exposure a Dealer Member has to each of its providers of capital (as defined below). As such is the case, a separate copy of this schedule should be completed for each *provider of capital* where the capital provided is in excess of \$10 million.
2. For the purposes of this schedule:
  - (a) A “provider of capital” is an individual or entity and its affiliates that provides capital to a Dealer Member
  - (b) “Regulatory financial statement capital” is comprised of:
    - Total Capital (Statement A, Line 72); plus
    - Non-refundable leasehold inducements (Statement B, Line 2); plus
    - Subordinated loans (Statement A, Line 66).
  - (c) “Regulatory financial statement capital provided by the provider of capital” is the portion of the *regulatory financial statement capital* that has been provided to the Dealer Member by the *provider of capital*

**CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL**

**Section A, Line 3** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

**Section A, Line 4** – The amount to be reported on this line refers to the entire loan receivable balance if the only collateral received for the loan is securities issued by the *provider of capital*.

**Section A, Line 5** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable or the *market value* of the securities delivered as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

**Section A, Line 6** – The amount to be reported on this line refers to the entire loan receivable balance or the *market value* of the securities delivered as collateral if the only collateral received for the loan is securities issued by the *provider of capital*.

**Section A, Line 7** – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the security received pursuant to the resale agreement and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the security received] deficiency required under normal commercial terms. If the security received is a security issued by the *provider of capital* the collateral is assumed to have no value for the purposes of the above calculation.

**Section A, Lines 8, 9 and 10** – The amount to be reported on these lines refers to the amount of the loan receivable less any collateral provided other than securities issued by the *provider of capital*.

**Section A, Line 11** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered for the loan and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**Section A, Line 12** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the securities lending agreement and the amount of the loan payable or the *market value* of the securities received as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**Section A, Line 13** – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the repurchase agreement and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

**CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL**

**Section B, Line 1** – Include all investments in securities issued by the *provider of capital*.

**FORM 1, PART II – SCHEDULE 14**  
**NOTES AND INSTRUCTIONS [Continued]**

**Section B, Line 2** – Include only those loans where the agreement executed includes the industry standard wording set out in the Limited Recourse Call Loan Agreement.

**Section B, Line 3** – Include only those security positions that are otherwise eligible for offset pursuant to the Corporation’s capital requirements.

**CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL**

**Section C, Line 1** – Include the face amount of subordinated debt provided by the *provider of capital*, plus the book amount of equity capital provided by the *provider of capital* plus a pro-rata share of reserves and retained earnings.