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INVESTMENT DEALERS ASSOCIATION OF CANADA

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

BULLETIN #3365
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By-Laws and Regulations

Amendment to Regulation 100.10 permitting optional use of TIMS® and SPAN® methodologies for regulatory purposes

The Board of Directors of the Association has approved an amendment to Regulation 100.10 permitting the optional use of TIMS® [The Theoretical Intermarket Margin System is a registered trademark of The Options Clearing Corporation] and SPAN® [The Standard Portfolio Analysis of Risk is a registered trademark of The Chicago Mercantile Exchange] margin calculations for regulatory purposes. This option is available to only Member firm positions in derivatives listed at the Bourse the Montréal. The amendment, a copy of which is enclosed as Attachment #1, is effective January 1, 2005.

Kenneth A. Nason
Association Secretary

ATTACHMENT #1

INVESTMENT DEALERS ASSOCIATION OF CANADA

USE OF RISK BASED MARGINING APPROACH FOR MARGINING DERIVATIVE POSITIONS OF MEMBER FIRMS

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.10 is amended by the addition of subsection 100.10 (k):

   "With respect to a Member firm account constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis ("SPAN") methodology or by the Theoretical Intermarket Margin System ("TIMS") methodology, using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation shall be approved by the Bourse de Montréal prior to implementation to ensure that the continued use of the SPAN and TIMS methodologies for regulatory purposes is appropriate.

   The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse de Montréal. If the Member firm selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the requirements stipulated in Regulation 100.

   For the purpose of the present article, "margin interval" means the product of the three following elements:

   i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by

   ii) three (for a 99% confidence interval); and multiplied by

   iii) the square root of 2 (for two days coverage)."

PASSED AND ENACTED BY THE Board of Directors this 28th day of January 2004, to be effective on a date to be determined by Association staff.