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BULLETIN #3608
February 1, 2007

By-laws and Regulations

Amendments to General Notes and Definitions to Form 1 – Permitting Qualified Foreign Pension Funds to be Classified as Acceptable Institutions and Acceptable Counterparties

The Board of Directors of the Association has approved amendments to the General Notes and Definitions to Form 1 relating to Foreign Pension Funds as Acceptable Institutions and Acceptable Counterparties. The amendments are effective February 1, 2007, a copy of which is enclosed as Attachment #1.

Under the previous IDA rules, Members had to deal with most foreign pension funds using the same margin approach as that used for retail customers. The amendments permit certain foreign pension funds, satisfactory of sufficient size and subject to appropriate regulatory scrutiny, to qualify as either acceptable institutions or acceptable counterparties. These qualified foreign pension funds will be eligible to receive reduced margin and capital requirements. As a result, the amendments will allow Member firms to more efficiently use their capital; for example, Member firms can now conduct securities lending transactions with foreign pension funds qualified as acceptable institutions or acceptable counterparties without disproportionately affecting their capital any more.

Kenneth A. Nason
Association Secretary

INVESTMENT DEALERS ASSOCIATION OF CANADA

**AMENDMENTS TO GENERAL NOTES AND DEFINITIONS TO FORM 1
RELATING TO FOREIGN PENSION FUNDS AS ACCEPTABLE
INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES**

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. The definition of “acceptable counterparties” that is set out in the General Notes and Definitions to Form 1 is amended by repealing and replacing paragraph 8 with the following:
 - “8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of \$10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.”
2. The definition of “acceptable counterparties” that is set out in the General Notes and Definitions to Form 1 is amended by adding new paragraph 11 immediately following paragraph 10 as follows:
 - “11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.”
3. The definition of “acceptable counterparties” that is set out in the General Notes and Definitions to Form 1 is amended by renumbering the current paragraph 11 as paragraph 12.
4. The definition of “acceptable institutions” that is set out in the General Notes and Definitions to Form 1 is amended by repealing and replacing paragraph 8 with the following:
 - “8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of \$200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.”
5. The definition of “acceptable institutions” that is set out in the General Notes and Definitions to Form 1 is amended by adding new paragraph 9 immediately following paragraph 8 as follows:
 - “9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.”

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.

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO GENERAL NOTES AND DEFINITIONS TO FORM 1 RELATING TO FOREIGN PENSION FUNDS AS ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES

BLACKLINE COPY OF AMENDED DEFINITIONS

- (b) **“acceptable counterparties”** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:
1. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$10 million and less than or equal to \$100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.
 2. Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
 3. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such companies is available for inspection.
 4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.
 5. Mutual ~~F~~unds subject to a satisfactory regulatory regime with total net assets in the fund in excess of \$10 million.
 6. Corporations (other than ~~R~~egulated ~~E~~ntities) with a minimum net worth of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.
 7. Trusts and ~~L~~imited ~~P~~artnerships with minimum total net assets on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.
 8. Canadian ~~P~~pension ~~F~~funds subject to a satisfactory regulatory regime which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission. with total net assets on the last audited balance sheet in excess of \$10 million, provided that in determining net assets the liability of ~~a the~~ fund for future pension payments shall not be ~~deducted~~.
 9. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$15 million and less than or equal to \$150 million, provided acceptable financial information with respect to such entities is available for inspection.

10. Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$15 million, provided acceptable financial information with respect to such companies is available for inspection.
11. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.
12. Federal governments of foreign countries which do not qualify as a Basle Accord country.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord Countries.

Subsidiaries (excluding ~~R~~regulated ~~E~~entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.

- (c) **“acceptable institutions”** means those entities with which a Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:
 1. Government of Canada, the Bank of Canada and ~~P~~provincial ~~G~~governments.
 2. All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.
 3. Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
 4. Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.
 5. Federal governments of Basle Accord Countries.
 6. Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$150 million, provided acceptable financial information with respect to such entities is available for inspection.
 7. Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such companies is available for inspection.

8. Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of \$200 million, provided that in determining net assets the liability of ~~a~~ the fund for future pension payments shall not be deducted.
9. Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.

For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord Countries.

Subsidiaries (other than ~~R~~regulated ~~E~~entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.