

## RULE 100

### MARGIN REQUIREMENTS

100.1. In this Rule 100 and, unless the contrary is specified, in each Rule, Ruling or Form of the Corporation, each term used which is not defined herein or therein, but is defined or used in Form 1 shall have the meaning as defined or used in Form 1.

100.2. For the purpose of Rule 17.13 and this Rule 100 the following margin requirements are hereby prescribed:

**(a) Bonds, Debentures, Treasury Bills and Notes**

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	1 % of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any province of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	3% of market value
over 3 years to 7 years	4% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	5% of market value
over 3 years to 7 years	5% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

(iv) Other non-commercial bonds and debentures, (not in default):

10% of market value

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Dealer Member's name maturing:

within 1 year 3% of market value (\*)

over 1 year to 3 years 6% of market value (\*)

over 3 years to 7 years 7% of market value (\*)

over 7 years to 11 years 10% of market value (\*)

over 11 years 10% of market value(\*)

(1) If convertible and selling over par, the margin required shall be the lesser of:

(a) the sum of:

(i) the above rates multiplied by par value; and

(ii) the excess of market value over par value;

and

(b) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.

(3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin requirement shall be 50% of market value.

(4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.

(5) If convertible and a residual **debt** instrument (zero coupon), the margin requirement shall be the lesser of:

(a) the greater of:

(i) the margin requirement for a convertible **debt** instrument calculated pursuant to this Rule 100.2(a)(v); and

(ii) the margin requirement for a residual **debt** instrument (zero coupon) instrument calculated pursuant to Rule 100.2(a)(xi);

and;

(b) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.2.

(6) Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as

defined in Rule 100.2(a)(vi) then the margin requirements in such Rule shall apply.

(vi) **Acceptable commercial, corporate and finance company notes**, and trust company and mortgage loan company obligations readily negotiable and transferable and maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

**"Acceptable Commercial, Corporate and Finance Company Notes"** means notes issued by a company incorporated in Canada or in any province of Canada and (a) having a net worth of not less than \$10,000,000, (b) guaranteed by a company having a net worth of not less than \$10,000,000, or (c) a binding agreement exists whereby a company having a net worth of not less than \$25,000,000 is obliged, so long as the notes are outstanding, to pay to the issuing company or to a trustee for the note-holders, amounts sufficient to cover all indebtedness under the notes where the borrower, either:

(A) Files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to Dealer Members acting as authorized agent(s) the following information in written form:

- (1) Disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time; and
- (2) A reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required; or

(B) Provides to Dealer Members acting as authorized agent(s) an information circular or memorandum which includes or is accompanied by the following:

- (1) Recent audited financial statements of the borrower or of its guarantor if a guarantee is required;
- (2) An extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;
- (3) A true copy of a resolution of directors of the borrower certified by the borrower's Secretary and stating in substance:
  - (i) The limitation, if any, on the maximum amount authorized to be borrowed by way of issue of notes, and
  - (ii) Those officers of the borrower company who may legally sign the notes by hand or by facsimile;
- (4) Where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;

(5) A certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;

(6) Specimen copies of the note or notes;

(7) A favourable opinion of counsel for the borrower regarding the incorporation, organization and corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;

(8) Where notes are guaranteed, a favourable opinion of counsel for the guarantor regarding the incorporation, organization and corporate status of the guarantor, its capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee; and

(9) A summary setting forth the following:

A. A brief historical synopsis of the borrowing company and of its guarantor, if any;

B. Purpose of the issue;

C. A reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;

D. The denominations in which notes may be issued.

(vii) [Acceptable foreign commercial, corporate and finance company notes](#)

[Acceptable foreign commercial, corporate and finance company notes](#) readily negotiable and maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
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over 1 year	apply rates for commercial and corporate bonds, debentures and notes
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**"Acceptable Foreign Commercial, Corporate and Finance Company Notes"** means promissory notes issued by a company, or guaranteed by a company incorporated in a country other than Canada, with a net worth of not less than \$25,000,000 where information equivalent to that required by Rule 100.2(a)(vi) is provided by the borrower.

(viii) Bonds in default: 50% of market value;

(ix) Income bonds which have paid in full interest at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned:

Currently paying interest at the stated rate:

10% of market value

Not paying interest, or paying at less than the stated rate:

50% of market value

(x) British Columbia Government Guaranteed Parity Bonds:

Long Positions: One-quarter of 1% of par value or rates prescribed under Rule 100.2(a)(ii) above;

Short Positions: Rates prescribed under Rule 100.2(a)(ii) above.

(xi) Stripped coupons and the residual **debt** instruments:

The percentage of market value which is

(A) for instruments with a term to maturity of less than 20 years, 1.5 times

(B) for instruments with a term to maturity of 20 years or more, 3 times

the margin rate applicable to the **debt** instrument which has been stripped or to which the detached coupon or other evidence of interest relates, provided that in determining the term to maturity of a coupon or other evidence of interest the payment date for such interest shall be considered the maturity date. Margin in respect of residual **debt** instruments which are convertible into other securities shall be determined in accordance with paragraph (5) of Rule 100.2(a)(v).

**(b) Bank Paper**

Deposit certificates, promissory notes or debentures issued by a Canadian **chartered bank** (and of Canadian **chartered bank** acceptances) maturing:

within 1 year 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365

over 1 year apply rates for commercial and corporate bonds, debentures and notes

**(c) Acceptable foreign bank paper**

Deposit certificates or promissory notes issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365

over 1 year apply rates for commercial and corporate bonds, debentures and notes

"Acceptable Foreign Bank Paper" consists of deposit certificates or promissory notes issued by a bank other than a Canadian **chartered bank** with a net worth (i.e. capital plus reserves) of not less than \$200,000,000.

**(d) Unhedged Foreign Exchange**

Unhedged foreign exchange positions of a Dealer Member or customer of a Dealer Member shall be margined in accordance with this Rule 100.2(d). Foreign exchange positions are monetary assets and liabilities (as defined) and shall include currency spot transactions, futures and forward contracts, swaps and any other transaction which results in exposure to foreign exchange rate risk.

**(i) General Principles**

(A) Each unhedged foreign exchange position shall be margined in the manner provided in this Rule on a currency by currency basis according to the four currency groups defined in Rule 100.2(d)(v) at the following margin rates, subject to an adjustment to the margin rate of a Group 1, 2 or 3 currency pursuant to Rule 100.2(d)(v)(C):

	<b>Currency Group</b>			
	1	2	3	4
Spot Risk Margin Rate	1.0%	3.0%	10.0%	25.0%
Term Risk Margin Rate	1.0%	3.0%	5.0%	12.5%

(B) All calculations in respect of unhedged positions shall be made on a trade date basis.

(C) Dealer Members shall be permitted at their option to margin certain inventory positions in accordance with Rule 100.2(d)(iii) instead of the other applicable provisions of this Rule 100.2(d).

(D) References to conversion to Canadian dollars at the spot exchange rate shall be to the rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.

(E) Monetary assets and liabilities are assets and liabilities, respectively, of a Dealer Member in respect of money and claims to money whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.

(F) Inventory long or short currency futures contracts listed on a recognized exchange which are included in the unhedged foreign exchange calculations hereunder are not required to be margined pursuant to Rule 100.8.

(G) Dealer Members shall be permitted at their option to exclude non-allowable monetary assets from monetary assets for the purpose of calculating the margin requirement under this Rule 100.2(d).

(H) For the purpose of this Rule 100.2(d) the futures exchanges on which currency futures contracts are traded and that are listed on the most recently published list of recognized exchanges and associations, used for the purposes of determining “regulated entities”, are deemed to be recognized exchanges.

**(ii) Foreign Exchange Margin Requirement**

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

(A) Spot Risk Margin Requirement

- (1) The spot risk margin requirement shall apply to all monetary assets and liabilities regardless of term to maturity.
- (2) The spot risk margin requirement shall be calculated as the product of the net monetary position and the spot risk margin rate.
- (3) Monetary assets and liabilities will be considered to be spot positions unless they have a term to maturity of more than 2 business days.
- (4) The spot risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.

(B) Term Risk Margin Requirement

- (1) The term risk margin requirement shall apply to all monetary assets and liabilities which have a term to maturity of more than 2 business days, where the term to maturity is defined as the amount of time to when the claim to the monetary asset or the obligation to satisfy monetary liability expires.
- (2) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability with a term to maturity of 2 years or less shall be the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 2 business days or less the weighting factor shall be zero.
- (3) The term risk margin rate for an unhedged foreign exchange position shall not exceed the following rates:

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

- (4) Where the Dealer Member has both monetary assets and monetary liabilities the term risk margin requirement may be netted as follows:

(i) 2 Years Or Less To Maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency which both have a term to maturity of 2 years

or less shall be the net of the term risk margin requirements of the monetary assets and liabilities.

(ii) Over 2 Years To Maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency which both have a term to maturity of greater than 2 years shall be the greater of the term risk margin requirements of the monetary assets and liabilities.

(iii) Provisos

(a) The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency one having a term to maturity of 2 years or less and one having a term to maturity of more than 2 years which have a difference in their respective terms to maturity of 180 days or less shall be the net of the term risk margin requirements of the monetary assets and liabilities.

(b) Where a Dealer Member has offsetting positions, one having a term to maturity of 2 years or less and one having a term to maturity of more than 2 years, the sum of the term risk margin requirement of the offsetting positions shall not exceed the product of the market value which is offset and the following rates:

**Currency Group**

1	2	3	4
5.0%	10.0%	20.0%	50.0%

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

(6) The sum of the security margin requirement and the foreign exchange margin requirement shall not exceed 100%.

**(iii) Alternative Futures and Forward Contract Inventory Margin**

As an alternative to the foreign exchange margin requirement determined under this Rule 100.2(d) for futures and forward contract inventory positions denominated in a currency which has a currency futures contract which trades on a recognized exchange the foreign exchange margin requirement may be calculated as follows.



(A) Futures Contracts

Foreign exchange positions consisting of futures contracts may be margined at the margin rates prescribed by the exchange on which such futures are listed.

(B) Forward Contracts Offsets

Forward contract positions which are not denominated in Canadian dollars may be margined as follows:

(i) Margin shall be the greater of the margin as prescribed in Rule 100.2(d)(i) and (ii) on each of the two positions;

(ii) Two forward contracts held by a Dealer Member which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of this paragraph (B).

(C) Futures and Forward Contract Offsets

Futures and forward contract positions which are not denominated in Canadian dollars may be margined as follows:

(i)

(a) Margin shall be the greater of the margin as prescribed in Rule 100.2(d)(i) and (ii) on each of the two positions;

(b) Margin rates applicable to unhedged positions under this paragraph (C) shall be the rates established by this Rule and not the rates prescribed by the exchange on which the futures contracts are listed;

(ii) Two forward contracts held by a Dealer Member which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of this paragraph (C).

**(iv) Customer Margin**

Unhedged foreign exchange positions of customers shall be margined in accordance with Rules 100.2(d)(i), (ii), and (v), provided that:

(A) No margin shall be required in respect of the accounts of customers who are acceptable institutions as defined in Form 1.

(B) The margin required in respect of acceptable counterparties and regulated entities as defined in Form 1 shall be calculated on a mark-to-market basis.

(C) The margin required in respect of foreign exchange positions (excluding cash balances) held in the accounts of customers who are classified as other counterparties, as defined in Form 1, which are denominated in a currency other than the currency of the account, shall be the aggregate of the security margin requirement and the foreign

exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate specified in Rule 100.2(d)(i)(A) the foreign exchange margin requirement shall be nil. The sum of the security margin requirement and the foreign exchange margin requirement shall not exceed 100%.

(D) Listed futures contracts shall be margined in the same manner as prescribed in Rule 100.8.

**(v) Currency Groups**

**(A) Currency Group Criteria**

The qualitative and quantitative criteria for each currency group are as follows:

**Group 1**

- volatility of the currency must be below the volatility threshold specified in paragraph (B)(a), and;
- is the primary intervention currency of the Canadian dollar.

**Group 2**

- volatility of the currency must be below the volatility threshold specified in paragraph (B)(a), and;
- there must be a daily quoted spot rate by a Canadian Schedule I [chartered bank](#), and one of the following:
  - a daily quoted spot rate by a member of the European Monetary System and a participant in the Exchange Rate Mechanism, or;
  - there is a listed future for the currency exists on a recognized exchange.

**Group 3**

- volatility of the currency must be below the volatility threshold specified in paragraph (B)(a), and;
- there must be a daily quoted spot rate by a Canadian Schedule I [chartered bank](#), and;
- the currency must be of a member country of International Monetary Fund with Article VIII status, and no capital payment restrictions as they relate to security transactions.

**Group 4**

- none.

(B) Monitoring Adherence To Currency Group Criteria

The Corporation shall be responsible for monitoring the adherence of each Group 1, 2 or 3 currency to the quantitative and qualitative criteria of the currency group described in paragraph (A).

(a) Currency Volatility

The volatility of each Group 1, 2 or 3 currency shall be monitored as follows. The Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" shall be compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the unhedged margin rate prescribed for the particular currency in paragraph 100.2(d)(i)(A) shall be designated an "offside base day". If an offside base day has been designated, the offside base day shall be designated the base day for the purpose of making further base day closing price comparisons as aforesaid. If the number of offside base days during any 60 trading day period is greater than 3, the currency shall be deemed to have exceeded the volatility threshold of the currency group.

(b) Qualitative Criteria

On at least an annual basis, the Corporation shall assess the adherence of each currency in a group to the qualitative criteria of the particular currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.

(C) Foreign Exchange Margin Surcharge

If the volatility of a Group 1, 2 or 3 currency exceeds the volatility threshold defined in paragraph (B)(a) then the margin rate shall be increased by increments of 10% until the application of the increased margin rate would result in no more than two offside days during the preceding 60 trading days. The increased margin rate shall apply for a minimum of 30 trading days and shall be automatically decreased to the margin rate otherwise applicable when after such 30 trading day period the volatility of the currency is less than the volatility threshold defined in paragraph (B)(a).

The Corporation shall be responsible for determining the required increase or decrease in foreign exchange margin rates under this paragraph (C).

(D) Currency Group Downgrades And Upgrades

Where

(a) The Corporation determines that a particular currency no longer satisfies the criteria of the particular currency group as defined in paragraph 100.2(d)(v)(A), or;

(b) A Dealer Member has provided to the Corporation information demonstrating that a currency satisfies the criteria specified in paragraph 100.2(d)(v)(A) for a currency group other than the currency group for which the currency is then designated, and the Corporation has verified such information to its satisfaction,

The Corporation shall recommend to the Financial Administrators Section that the currency be moved to the currency group with the lower or higher margin rate, as the case may be. If the Financial Administrators Section approves the recommendation, the Corporation shall notify Dealer Members of the change in the designated currency group of the particular currency.

(E) Foreign Exchange Concentration Charge

When in respect of any Group 2, Group 3 or Group 4 currency, the aggregate of the foreign exchange margin provided under this Rule 100.2(d) on a Dealer Member's monetary assets and monetary liabilities and the foreign exchange margin on customer accounts exceeds 25% of the firm's net allowable assets net of minimum capital (as determined for the purposes of Form 1), a concentration charge in addition to the foreign exchange margin already provided under this Rule 100.2(d) shall apply.

The concentration charge shall be equal to the amount of the foreign exchange margin provided under this Rule 100.2(d) which is in excess of 25% of the member's net allowable assets net of minimum capital.

(e) **National Housing Act (N.H.A.)**

Insured Mortgages 6% of market value

Conventional Mortgages

Conventional first mortgages 12% of market value or the rates set held in Dealer Member's inventory by chartered banks, whichever is greater

(f) **Stocks**

(i) Listed on an exchange in Canada or the United States

For positions in securities listed (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States:

Long Positions - Margin Required

Securities selling at \$2.00 or more - 50% of market value

Securities selling at \$1.75 to \$1.99 - 60% of market value

Securities selling at \$1.50 to \$1.74 - 80% of market value

Securities selling under \$1.50 may not be carried on margin

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax

profit, net tangible asset and working capital requirements, as determined by the Corporation from time to time, may not be carried on margin.

Short Positions - Credit Required

Securities selling at \$2.00 or more - 150% of market value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 - 200% of market value

Securities selling at less than \$0.25 - market value plus \$0.25 per share

(ii) Index constituent securities listed on certain other exchanges

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of the market value provided:

(A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as “recognized exchanges and associations” for the purposes of determining “regulated entities”; and

(B) the security is a constituent security on the exchange’s major broadly based index.

(iii) Warrants issued by a Canadian [chartered bank](#)

For positions in warrants issued by a Canadian [chartered bank](#) which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Rule 100.12(e) applies) the margin shall be the greater of:

(A) the margin otherwise required by this Rule according to the market value of the warrant; or

(B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

(iv) Unlisted securities eligible for margin

Subject to the existence of an ascertainable market among brokers or dealers the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks:

(A) Securities of insurance companies licensed to do business in Canada;

(B) Securities of Canadian banks;

(C) Securities of Canadian trust companies;

(D) Other senior securities of listed companies;

(E) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

(F) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of

satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

(G) All securities listed on The Nasdaq Stock Market<sup>SM</sup> (Nasdaq National Market® and The Nasdaq SmallCap Market<sup>SM</sup>).

(v) Other unlisted stocks

For positions in all other unlisted stocks not mentioned above:

Long Positions – margin required:

100% of market value

Short Positions – credit required:

Securities selling at \$0.50 or more – 200% of market value

Securities selling at less than \$0.50 – market value plus \$.0.50 per share

(vi) Securities eligible for reduced margin

On securities which are described in clauses (i), (ii), (iii) and (iv) of Rule 100.12(a) (securities eligible for reduced margin), margin shall be 30% of market value.

(vii) Index participation units and qualifying baskets of index securities

(A) For index participation units:

(I) In the case of a long position, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(B) For a qualifying basket of index securities:

(I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

For the purposes of this subparagraph, the definitions in Rule 100.9(c)(x), Rule 100.9(c)(xii), Rule 100.9(c)(xx) and Rule 100.9(c)(xxiv) apply.

**(g) Units**

According to components

**(h) Mortgage-backed Securities**

On instruments which are based upon mortgages and are guaranteed as to timely payment of principal and interest by an issuer or its agent, the rate specified in Rule 100.2(a), (b), or (c) applicable to securities of such guarantor according to the relevant maturity, plus additional margin of 25% of such specified rate. Mortgage-backed security instruments shall not be eligible for margin offset under [Rules](#) 100.4A, 100.4B or 100.4E.

**(i) Precious Metal Certificates and Bullion**

(i) Precious Metal Certificates

On negotiable certificates issued by Canadian chartered banks and trust companies authorized to do business in Canada evidencing an interest in precious metals:

Gold:	20% of market value
Platinum:	20% of market value
Silver:	20% of market value

(ii) On bullion purchased by a Dealer Member, for its inventory or on behalf of the client, from the Royal Canadian Mint or a Canadian chartered bank that is a market making member or ordinary member of the London Bullion Market Association (LBMA) for which a written representation is provided to the Dealer Member from the Royal Canadian Mint or the Canadian [chartered bank](#) stating that the bullion purchased are LBMA good delivery bars:

Gold:	20% of market value
Silver:	20% of market value

**(j) Interest Rate Swaps**

For the purposes of this regulation, a “**fixed interest rate**” is an interest rate, which is not reset at least every 90 days and a “**floating interest rate**” is an interest rate, which is not a [fixed interest rate](#). On interest rate swap agreements where payments are calculated with reference to a notional amount, the obligation to pay and the entitlement to receive shall each be margined as separate components as follows:

(i) Where a component is a payment calculated according to a [fixed interest rate](#), the margin required shall be the margin rate specified in Rule 100.2(a)(i) for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;

(ii) Where a component is a payment calculated according to a [floating interest rate](#), the margin required shall be the margin rate specified in Rule 100.2(a)(i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the interest rate swap agreement shall be considered the Dealer Member’s customer. No margin is required for an interest rate swap entered into with a customer, which is an acceptable institution. The margin requirement for customers, which are acceptable counterparties, shall be any market value deficiency calculated relating to the interest rate swap agreement. The margin requirement for customers which are other counterparties shall be any loan value deficiency calculated relating to the

interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.

**(k) Total Performance Swaps**

On total performance swap agreements, the obligation to pay and the entitlement to receive shall each be margined as separate components as follows:

(i) Where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement shall be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;

(ii) Where a component is a payment calculated according to a [floating interest rate](#), the margin required shall be the margin rate specified in Rule 100.2(a)(i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the total performance swap agreement shall be considered the Dealer Member's customer. No margin is required for a total performance swap entered into with a customer, which is an acceptable institution. The margin requirement for customers, which are acceptable counterparties, shall be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for customers which are other counterparties shall be any loan value deficiency calculated relating to total performance rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.

**(l) Mutual Funds**

Where securities of mutual funds qualified by prospectus for sale in any province of Canada are carried in a customer or firm account, the margin required shall be:

(i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.

100.2A. For purposes of the Rule 100 and Rule 17.13,

(a) a [callable debt security](#) may, at the Dealer Member's election, be deemed to have a maturity date equal to

(i) the original maturity date, if the market price of the [callable debt security](#) is trading at or below 101% of the call price; or

(ii) the first business day after the [call protection period](#), if the market price of the [callable debt security](#) is trading above 101% of the call price.

(b) an extendible debt security may, at the Dealer Member's election, be deemed to have a maturity date equal to

(i) the original maturity date, if the [extension election period](#) has not expired and the market value of the extendible debt security is trading at or below the [extension factor](#) times the current principal amount;



- (ii) the extension maturity date, if the [extension election period](#) has not expired and the market value of the extendible debt security is trading above the [extension factor](#) times the current principal amount; or
  - (iii) the original maturity date, if the [extension election period](#) has expired.
- (c) a retractable [debt](#) security may, at the Dealer Member's election, be deemed to have a maturity date equal to
- (i) the original maturity date, if the [retraction election period](#) has not expired and the market value of the retractable [debt](#) security is trading at or above the [retraction factor](#) multiplied by the current principal amount;
  - (ii) the retraction maturity date, if the [retraction election period](#) has not expired and the market value of the retractable [debt](#) security is trading below the [retraction factor](#) times the current principal amount; and
  - (iii) the original maturity date, if the retraction period has expired.

### **100.3. Bond Margin and Surcharge**

For the purposes of Rule 17.13 and this Rule 100, margin shall be required in addition to the margin requirements prescribed elsewhere in the [Rules](#), in respect of all securities evidencing a [debt](#) obligation of an issuer on the following basis:

- (a) A [debt](#) security issued by the Government of Canada maturing in each of the three periods below shall be monitored for price volatility in the primary markets in which Dealer Members trade such securities:
  - (i) Over 1 year to 3 years;
  - (ii) Over 3 years to 7 years; and
  - (iii) Over 7 years.
- (b) The closing price of the relevant security on each trading day in the markets being monitored (a "base day") shall be compared to the closing price of such security on the next four trading days succeeding such base day. The first day of such four succeeding days on which the difference (negative or positive) between (i) the closing price on the day and (ii) the base day closing price, expressed as a percentage of the base day closing price, is greater than the margin rate prescribed for the relevant security under the [Rules](#) shall be designated as an "offside base day." If an offside base day has been designated, that day shall be the new base day for the purpose of making further base day closing price comparisons as aforesaid.

For any 90 calendar day period, the percentage that the number of offside base days is to the total number of trading days in such period shall be determined. If such percentage exceeds 5% for any two of the three classes of [debt](#) securities being monitored, additional margin will be required for all [debt](#) securities in accordance with Rule 100.3.

- (c) The amount of additional margin that may be required in respect of any securities shall be 50% of the margin otherwise required under Rule 100.2.
- (d) The period of time during which additional margin shall be required shall not be less than 30 days.
- (e) The Corporation shall be responsible for monitoring the price volatility of [debt](#) securities traded by Dealer Members and determining when additional margin is required in

accordance with clause (b) and when the requirement for additional margin shall be revoked in accordance with clause (f).

- (f) If at any time after additional margin has been required for at least 30 days in accordance with clause (b), the percentage that the number of offside base days is to the total number of trading days for the immediately preceding 90 day period does not exceed 5%, the requirement for additional margin shall be revoked.
- (g) The Corporation shall notify Dealer Members of the imposition or revocation of the requirement for additional margin. Any such notification shall be communicated in writing to all Dealer Members immediately upon the determination that such additional margin is to be imposed or revoked and such notice shall be effective not less than five business days after giving the notice.

## **Offsets**

### **100.4A. Governments, Maturity Over One Year**

Where a Dealer Member or a customer:

- (a) Owns securities described in clause (i) or (ii) of Rule 100.2(a) of one maturity maturing over one year, and
- (b) Has a short position in securities
  - (i) Issued or guaranteed by the same issuer of the securities referred to in (a) (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province),
  - (ii) Maturing over one year,
  - (iii) Maturing within the same periods for the purpose of determining margin rates as the securities referred to in (a), and
  - (iv) With a market value equal to the securities referred to in (a) (with the intent that no offset shall be permitted in respect of the market value of a long (or short) position which is in excess of the market value of the short (or long) position.

The two positions may be offset and the required margin computed with respect to the net long or net short position only. This Rule 100.4A also applies to future purchase and sales commitments.

### **100.4B. Governments, Maturity Within One Year**

Where a Dealer Member or a customer:

- (a) Owns securities described in clause (i) or (ii) of Rule 100.2(a) maturing within one year, and
- (b) Has a short position in securities
  - (i) Issued or guaranteed by the same issuer of the securities referred to in (a) (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province),
  - (ii) Maturing within one year, and
  - (iii) With a market value equal to the securities referred to in (a) (with the intent that no offset shall be permitted in respect of the market value of a long (or short) position which is in excess of the market value of the short (or long) position

The margin required shall be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This Rule 100.4B also applies to future purchase and sale commitments.

#### 100.4C. Debt Securities

Where a Dealer Member or a customer has a short and long position in the following groups of securities (identified by reference to the paragraphs and clauses of Rule 100.2) the total margin required in respect of both positions shall be the greater of the margin required on the long or short positions:

	<i>Long (Short)</i>		<i>Short (Long)</i>
(a)	100.2(a)(i) (U.S. Treasury only)	and	100.2(a)(ii) (Province of Canada only)
(b)	100.2(a)(i) (Canada and U.S. Treasury only)	and	100.2(a)(iii) (Canada municipal only)
(c)	100.2(a)(i) (Canada only)	and	100.2(a)(i) (U.S. Treasury only)
(d)	100.2(a)(i) (Canada and U.S. Treasury only)	and	100.2(a)(v) (corporate)
(e)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(iii) (Canada municipal only)
(f)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(v) (corporate)
(g)	100.2(a)(v) (corporate)	and	100.2(a)(v) (corporate) of the same issuer
(h)	100.2(b) (Canadian chartered bank acceptances only)	and	BAX futures contract

Where a Dealer Member or a customer has a short and long position in the following groups of securities (identified by reference to the paragraphs and clauses of Rule 100.2) the total margin required in respect of both positions shall be 50% of the greater of the margin required on the long or short position:

	<i>Long (Short)</i>		<i>Short (Long)</i>
(i)	100.2(a)(i) (Canada only)	and	100.2(a)(i) (Canada of different maturity bands)
(j)	100.2(a)(i) (Canada only)	and	100.2(a)(ii) (Province of Canada of same or different maturity bands)
(k)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(ii) (Province of Canada only of same or different maturity bands)
(l)	100.2(a)(i) (Canada only)	and	100.2(a)(iii) (Canada municipal only)
(m)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(iii) (Canada municipal only)"

provided the foregoing offset may only be determined on the basis that:

- (i) securities described in Rules 100.2(a)(v) (corporate) and 100.2(b) (bank paper) will only be eligible for offset if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
- (ii) securities in offsetting positions must be denominated in the same currency;

- (iii) securities offsets described in items (i) to (k) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in Rule 100.2 for the purpose of determining margin rates; and
- (iv) the market value of the offsetting positions is equal and no offset shall be permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and
- (v) securities offsets described in items (l) and (m), Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record.

For the purposes of this Rule 100.4C, securities described in Rule 100.2(b) (bank paper) are eligible for the same offsets set out above as securities described in Rule 100.2(a)(v) (corporate).

For the purposes of this Rule 100.4C, the term “**BAX futures contracts**” shall mean the three-month Canadian bankers acceptance futures contracts that trade on the Bourse de Montreal under the “BAX” trading symbol.

#### **100.4D. Mortgage-Backed Securities**

Where a Dealer Member or a customer holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in an instrument described in Rule 100.2(h) guaranteed by the Government of Canada (a "mortgage-backed security"), the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

- (a) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;
- (b) Margin required in respect of bonds or debentures may only be netted against the margin required for mortgage-backed securities which mature within the same period referred to in Rule 100.2(a) for the purpose of determining margin rates;
- (c) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities equals or exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid with or without penalty in full at the option of the mortgagee prior to maturity, the margin required shall be the greater of the margin as determined otherwise under Rule 100.2 for (i) the long (or short) position in mortgage-backed securities or (ii) the short (or long) position in bonds or debentures.

#### **100.4E. Strip coupon and / or residual debt positions**

##### **Government debt**

Where a Dealer Member or a customer holds the following offset positions and:

- (i) the offset positions mature within the same period;
- (ii) the time periods are the time periods referred to in Rule 100.2(a);
- (iii) the offset positions are denominated in Canadian dollars; and

(iv) the market value of the short position is equal to the market value of the long position;  
the margin requires is as follows:

**(a) Bond or debenture and strip coupon or residual debt positions**

(i) for a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long or (short) position in the strip coupon or residual portion of such debt instruments; or

(ii) for a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the strip coupon or residual portion of such debt instruments;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long position), respectively.

(iii) for a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long or (short) position in a strip coupon or residual portion of a debt instrument issued or guaranteed by a province of Canada; or

(iv) for a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in a strip coupon or residual portion of a debt instrument issued or guaranteed by the Government of Canada;

the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.

**(b) Strip coupon positions**

(i) for a short (or long) position in a strip coupon and a long (or short) position in a strip coupon, and the strip coupons are from bonds or debentures issued or guaranteed by the Government of Canada; or

(ii) for a short (or long) position in a strip coupon and a long (or short) position in a strip coupon, and the strip coupons are from bonds or debentures issued or guaranteed by any province of Canada;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position respectively.

(iii) for a short (or long) position in a strip coupon of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position in a strip coupon of a bond or debenture issued or guaranteed by a province of Canada;

the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.

**(c) Residual debt positions**

(i) for a short (or long) position in a residual and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by the Government of Canada; or

(ii) for a short (or long) position in a residual and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by any province of Canada;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, respectively.

(iii) for a short (or long) position in a residual portion of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position of a residual portion of a bond or debenture issued or guaranteed by a province of Canada;

the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.

**(d) Strip coupon and residual debt positions**

(i) for a short (or long) position in a strip coupon and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by the Government of Canada; or

(ii) for a short (or long) position in a strip coupon and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by any province of Canada;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, respectively.

(iii) for a short (or long) position in a strip coupon of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position of a residual portion of a bond or debenture issued or guaranteed by a province of Canada; or

(iv) for a short (or long) position in a residual portion of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position of a strip coupon of a bond or debenture issued or guaranteed by a province of Canada;

the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.

**Foreign currency debt**

**(e) Bond or debenture and strip coupon or residual debt positions**

Where a Dealer Member or a customer holds a short (or long) position in bonds or debentures referred to in Rule 100.2(a)(i) denominated in a currency other than Canadian dollars, and also holds a long (or short) position in the stripped or residual portion of such debt instruments denominated in the same currency, the margin shall be the excess of the margin required on the short (or long) position, over the margin required on the short (or long) position provided that the net margin may only be determined as aforesaid on the basis that:

(i) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

(ii) Margin in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Rule 100.2(a)(i) for the purpose of determining margin rates.

**Corporate debt**

**(f) Bond or debenture and strip coupon or residual debt positions**

Where a Dealer Member holds a short (or long) position in bonds or debentures issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion

Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required shall be the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, to a maximum 20% margin rate, provided that the margin may only be determined as aforesaid on the basis that:

- (i) The offset is permitted only to the extent that the market value of the two positions is equal, and no offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and
- (ii) Margin required in respect of bonds or debentures issued by a corporation may only be offset against the margin required for the stripped coupon or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Rule 100.2(a)(xi) for the purpose of determining margin rates.

#### **100.4F. Swap Positions Offset**

For the purposes of this regulation, a “**fixed interest rate**” is an interest rate, which is not reset at least every 90 days, a “**floating interest rate**” is an interest rate, which is not a **fixed interest rate** and “**realization clause**” is an optional clause within a total performance swap agreement which allows the Dealer Member to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.

##### **(a) Interest Rate Swap versus Interest Rate Swap Offset**

Where a Dealer Member

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed (or floating) interest rate amounts calculated with reference to a notional amount;

and

(ii) is a party to another offsetting interest rate swap agreement entitling it to receive (or requiring it to pay) a fixed (or floating) interest rate amount calculated with reference to the same notional amount, denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in (i);

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on **fixed interest rate** component payment (or receipt) positions may only be offset against margin on **fixed interest rate** component receipt (or payment) positions, and margin on **floating interest rate** component payment (or receipt) positions may only be offset against margin on other **floating interest rate** component receipt (or payment) positions.

##### **(b) Fixed Interest Rate Swap Component and Securities Position Offset**

Where a Dealer Member

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar **fixed interest rate** amounts calculated with reference to a notional amount;

and

(ii) holds a long (or short) position in securities described in Rule 100.2(a)(i) with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on **fixed interest rate** payment (or receipt) positions may only be offset against margin on **fixed interest rate** receipt (or payment) positions, and margin on **floating interest rate** payment (or receipt) positions may only be offset against margin on other **floating interest rate** receipt (or payment) positions

**(c) Floating Interest Rate Swap Component and Securities Position Offset**

Where a Dealer Member

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar **floating interest rate** amounts calculated with reference to a notional amount;

and

(ii) holds a long (or short) position in securities described in Rules 100.2(a)(i) or 100.2(b), maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap;

the margin required in respect of the positions in (i) and (ii) may be netted.

**(d) Total Performance Swap versus Total Performance Swap Offset**

Where a Dealer Member:

(i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on **floating interest rate** component payment (or receipt) positions may only be offset against margin on other **floating interest rate** component receipt (or payment) positions.

**(e) Total Performance Swap Component and Securities Position Offset**

**(i) Short Performance Swap Component and Long underlying security or Basket of Securities**

Where a Dealer Member:

(A) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and



(B) holds long an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in (A) and (B) shall be either:

(C) nil, where it can be demonstrated that sell-out risk relating to the offset has been mitigated:

(I) through the inclusion of a [realization clause](#) in the total performance swap agreement, which allows the Dealer Member to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or

(II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or;

(D) 20% of the normal capital required on the long position in the underlying security or basket of securities where sell-out risk relating to the offset has not been mitigated.

**(ii) Long Performance Swap Component and Short Underlying Security or Basket of Securities**

Where a Dealer Member:

(A) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(B) holds short an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in (A) and (B) shall be:

(C) nil, where it can be demonstrated that buy-in risk relating to the offset has been mitigated:

(I) through the inclusion of a [realization clause](#) in the total performance swap agreement, which allows the Dealer Member to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or

(II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap

agreement is to expire and this value will be used as the closeout price for the swap.

or;

(D) 20% of the normal capital required on the short position in the underlying security or basket of securities where buy-in risk relating to the offset has not been mitigated.

#### **100.4G.Margin Offset for Capital Shares**

(a) For the purposes of this Rule 100.4G:

(i) the term “**capital share**” means a share issued by a [split share company](#) which represents all or the substantial portion of the capital appreciation portion of the underlying common share(s);

(ii) the term “**capital share conversion loss**” means any excess of the market value of the capital shares over the [retraction value](#) of the capital shares;

(iii) the term “**combined conversion loss**” means any excess of the combined market value of the capital and preferred shares over the combined [retraction value](#) of the capital and preferred shares;

(iv) the term “**preferred share**” means a share issued by a [split share company](#) which represents all or the substantial portion of the dividend portion of the underlying common share(s), and includes equity dividend shares of split share companies;

(v) the term “**retraction value**” means:

(A) for capital shares:

(I) where the capital shares can be tendered to the [split share company](#) for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place.

(II) where the capital shares cannot be tendered to the [split share company](#) for retraction directly for the underlying common shares at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place.

(B) for capital shares and preferred shares in combination:

(I) where the capital shares and preferred shares can be tendered to the [split share company](#) for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received.

(II) where the capital shares and preferred shares cannot be tendered to the [split share company](#) for retraction directly for the underlying common shares at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place.

(vi) the term “**split share company**” means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or

the substantial portion of the capital appreciation portion and its own preferred shares based on all or the substantial portion of the dividend income portion of such underlying common shares.

**(b) Long capital shares and short common shares**

Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the sum of:

(I) the [capital share conversion loss](#), if any; and

(II) the normal capital required (credit required in the case of customer account positions) on the equivalent number of preferred shares;

and;

(B) the normal capital required (credit required in the case of customer account positions) on the underlying common shares;

and;

(ii) where the capital shares cannot be tendered to the [split share company](#) for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

**(c) Long capital shares, long preferred shares and short common shares**

Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) [combined conversion loss](#), if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;and;

(ii) where the capital and preferred shares cannot be tendered to the [split share company](#) for retraction directly for the underlying common share at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

**(d) Long capital shares and short call option contracts**

Where capital shares are carried long in an account and the account is also short an equivalent number of call option contracts expiring on or before the redemption date of the capital shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the normal capital required (credit required in the case of customer account positions) on the capital shares less, if any, the market value of the premium credit on the short call option, but cannot reduce the capital required to less than zero; and

(B) any excess of the market value of the underlying common shares over the aggregate exercise value of the call options;

and

(ii) the [capital share conversion loss](#), if any; and

(iii) where the capital shares cannot be tendered to the [split share company](#) for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

**(e) Long common shares and short capital shares**

Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the sum of:

(I) the [capital share conversion loss](#), if any; and

(II) the normal capital required (margin required in the case of customer account positions) on the equivalent number of preferred shares; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares.”

and;

(ii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

**(f) Long common shares, short capital shares and short preferred shares**

Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) [combined conversion loss](#), if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;

and;

(ii) where the capital and preferred shares cannot be tendered to the [split share company](#) for retraction directly for the underlying common share at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

## 100.4H. Convertible Securities

(a) **For the purposes of this Rule 100.4H:**

- (i) “**conversion loss**” means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities.
- (ii) “**convertible security**” means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the **underlying security**, upon exercising a conversion or exchange feature.
- (iii) a security that is “**currently convertible**” means a security that is either:
  - (A) convertible into another security, the **underlying security**, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or
  - (B) convertible into another security, the **underlying security**, after the expiry of a specific period, and the Dealer Member or customer has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the Dealer Member or customer to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion.
- (iv) “**underlying security**” means the security, which is received upon exercising the conversion or exchange feature of a **convertible security**.

(b) **Long convertible securities considered “currently convertible” and short underlying securities**

Where convertible securities are held long in an account and such securities are **currently convertible** and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

- (i) the **conversion loss**, if any; and
- (ii) where the **convertible security** cannot be converted directly into the **underlying security**, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(c) **Long convertible securities not considered “currently convertible” and short underlying securities**

Where convertible securities are held long in an account and such securities are not **currently convertible** and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

- (i) the **conversion loss**, if any; and
- (ii) 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be “**currently convertible**”; and

(iii) where the **convertible security** cannot be converted directly into the **underlying security**, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

**(d) Short convertible securities and long underlying securities**

Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

- (i) the **conversion loss**, if any; and
- (ii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

**(e) Long “Oldco securities” and short “Newco securities” relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction**

(i) For the purposes of this paragraph 100.4H(e):

(A) “**Newco securities**” means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.

(B) “**Oldco securities**” means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.

(ii) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, **Oldco securities** are held long in an account, the account is also short an equivalent number of **Newco securities**, and the conditions set out in paragraph 100.4H(e)(iii) are met, the capital and margin requirements for Dealer Member firm and customer accounts shall be the excess of the combined market value of the **Oldco securities** over the combined market value of the **Newco securities**, if any.

(iii) The offset described in paragraph 100.4H(e)(ii) may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the **Oldco securities** will be cancelled and replaced by an equivalent number of **Newco securities** within 20 business days.

**100.4I. Warrants, Rights, Instalment Receipts, etc.**

(a) For the purposes of this Rule 100.4I:

(i) “**exercise loss**” means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities.

(ii) “**exercisable security**” means a warrant, right, installment receipt or any other security that entitles the holder to acquire another security, the **underlying security**, upon making an exercise or subscription payment.

(iii) a security that is “**currently exercisable**” means a security that is either:

(A) exercisable into another security, the **underlying security**, either currently or within 20 business days, provided all legal requirements

have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or

(B) exercisable into another security, the **underlying security**, on a future date, and the Dealer Member or customer has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the Dealer Member or customer to borrow the underlying securities for the entire period from the current date until the exercise or subscription date.

(iv) “**underlying security**” means the security, which is received upon invoking the exercise feature of an **exercisable security**.

**(b) Long exercisable securities considered “currently exercisable” and short underlying securities**

Where exercisable securities are held long in an account and such securities are **currently exercisable** and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

- (i) in the case of customer account positions, the amount of the exercise or subscription payment; and
- (ii) the **exercise loss**, if any; and
- (iii) where the **exercisable security** cannot be exercised directly into the **underlying security**, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

**(c) Long exercisable securities not considered “currently exercisable” and short underlying securities**

Where exercisable securities are held long in an account and such securities are not **currently exercisable** and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

- (i) in the case of customer account positions, the amount of the exercise or subscription payment; and
- (ii) the **exercise loss**, if any; and
- (iii) 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be “**currently exercisable**”; and
- (iv) where the **exercisable security** cannot be converted directly into the **underlying security**, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

**(d) Short exercisable securities and long underlying securities**

Where exercisable securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:



- (i) in the case of customer account positions, the amount of the exercise or subscription payment; and
- (ii) the exercise loss, if any; and
- (iii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

**100.4J Repealed.**

**100.4K. Government of Canada Bond Futures Contracts and Security Combinations**

Where a Dealer Member or a customer holds offset positions in Government of Canada notional bond futures contracts (including future purchase and sale commitments) and securities, described in paragraphs (a) to (e), the margin requirement for both positions shall be as follows:

- (a) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(i) Canada only and of same maturity band, the two positions may be offset and the required margin computed in respect to the net long or net short position only.
- (b) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(i) Canada only of different maturity bands, the two positions may be offset and the required margin shall be the 50% of the greater of the margin required on the long or short position.
- (c) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(ii) or Province of Canada only maturing within the same or different maturity bands, the margin requirement in respect of both positions shall be 50% of the greater of the margin required on the long or short position.
- (d) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(iii) Canada Municipal only maturing within the same maturity band, the margin requirement in respect of both positions shall be 50% of the greater of the margin required on the long or short position.
- (e) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(v) Corporate maturing within the same maturity band, the margin requirement in respect of both positions shall be the greater of the margin required on the long or short position.

provided the foregoing offset may only be determined on the basis that:

- i) securities in offsetting positions must be denominated in the same currency;
- ii) securities described in Rule 100.2(a)(iii) Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
- iii) securities described in Rule 100.2(a)(iv) Corporate will only be eligible for offset if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record; and
- iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.



## 100.5. Underwriting

(a) In this Rule 100.5 the expression:

(i) “**appropriate documentation**” with respect to the portion of the underwriting **commitment** where expressions of interest have been received from exempt purchasers means, at a minimum:

(A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

(I) the name of the exempt purchaser;

(II) the name of the employee of the exempt purchaser accepting the amount allocated; and

(III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

and;

(B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to Rule 100.5(a)(i)(A) so that all banking group participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting **commitment** due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

(ii) a “**commitment**” pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

(A) issue price;

(B) number of shares;

(C) **commitment** amount [issue price x number of shares].

(iii) “**disaster out clause**” means a provision in an underwriting agreement substantially in the following form:

“The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole.”

(iv) “**market out clause**” means a provision in an underwriting agreement which permits an underwriter to terminate its **commitment** to purchase in the event of unsalability due to market conditions, substantially in the following form:

“If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing.”

(v) “**new issue letter**” means an underwriting loan facility in a form satisfactory to the Corporation. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high grade securities or held in escrow with an acceptable institution.

Under the terms of the **new issue letter**, the letter issuer will:

(A) provide an irrevocable **commitment** to advance funds based only on the strength of the new issue and the Dealer Member firm;

(B) advance funds to the Dealer Member firm for any portion of the **commitment** not sold:

(I) for an amount based on a stated loan value rate;

(II) at a stated interest rate; and

(III) for a stated period of time.

and;

(C) under no circumstances, in the event that the Dealer Member firm is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(I) collateral held by the letter issuer for any other obligations of the Dealer Member firm or the firm’s customers;

(II) cash on deposit with the letter issuer for any purpose whatsoever; or

(III) securities or other assets held in a custodial capacity by the letter issuer for the Dealer Member firm either for the firm’s own account or for the firm’s customers.

in order to recover the loss or potential loss.

(vi) “**normal margin**” means margin otherwise required by the **Rules**.

(vii) “normal new issue margin” means:

(A) where the market value of the security is \$2.00 per share or more and the security qualifies for a reduced margin rate pursuant to Rule 100.12(a), 60% of **normal margin** for the period from the date of **commitment** to the business day prior to settlement date and 100% of **normal margin** from settlement date on;

(B) where the market value of the security is \$2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to Rule 100.12(a), 80% of **normal margin** for the period from the date of **commitment** to the business day prior to settlement date and 100% of **normal margin** from settlement date on; or

(C) where the market value of the security is less than \$2.00 per share, 100% of **normal margin**.

- (b) Where a Dealer Member has a **commitment** pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are hereby prescribed:

	<b>Without New Issue Letter</b>	<b>With new issue letter</b>
(1) Underwriting agreement does not include market out clause or disaster out clause	Normal new issue margin required from the date of commitment.	<p>10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier;</p> <p>10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;</p> <p>25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;</p> <p>50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;</p> <p>75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;</p> <p>Otherwise, normal new issue margin required.</p>
(2) Underwriting agreement includes disaster out clause	50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.	10% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.
(3) Underwriting agreement includes market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.

(4) Underwriting agreement includes <b>disaster out clause</b> and <b>market out clause</b>	10% of <b>normal new issue margin</b> required from the date of <b>commitment</b> until settlement date or the expiry of the <b>market out clause</b> , whichever is earlier; margin required as in (1) (2) and (3) above thereafter.	5% of <b>normal new issue margin</b> required from the date of <b>commitment</b> until settlement date or the expiry of the <b>market out clause</b> , whichever is earlier; margin required as in (1) (2) and (3) above thereafter.
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If the margin rates prescribed above in respect of commitments for which a **new issue letter** is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

(c) Where a Dealer Member has a **commitment** pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the Dealer Member has determined through obtaining **appropriate documentation**:

- (i) that the allocation between retail and exempt purchasers has been finalized;
- (ii) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;
- (iii) that there is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and
- (iv) that the Dealer Member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting **commitment** where expressions of interest have been received from exempt purchasers.

the following margin rates are hereby prescribed for the portion of the **commitment** allocated to exempt purchasers:

	<b>Without New Issue Letter</b>	<b>With new issue letter</b>
(1) Underwriting agreement does not include <b>market out clause</b> or <b>disaster out clause</b>	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:  20% of <b>normal new issue margin</b> is required, provided the current market value of the <b>commitment</b> is at or above 90% of new issue value (90% x issue price x number of shares);  40% of <b>normal new issue margin</b> is required, provided the current market value of the <b>commitment</b> is at or above 80% of new issue value (80% x issue price x number of shares) but less than	As in (b) above

90% of new issue value;

Otherwise **normal new issue margin** is required.

- |  |  |                 |
|--|--|-----------------|
| (2) Underwriting agreement includes <b>disaster out clause</b> | From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: | As in (b) above |
|--|--|-----------------|

20% of **normal new issue margin** is required, provided the current market value of the **commitment** is at or above 90% of new issue value (90% x issue price x number of shares);

40% of **normal new issue margin** is required, provided the current market value of the **commitment** is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;

Otherwise **normal new issue margin** is required.

- |  |                 |                 |
|--|-----------------|-----------------|
| (3) Underwriting agreement includes <b>market out clause</b> | As in (b) above | As in (b) above |
|--|-----------------|-----------------|

- |   |                 |                 |
|---|-----------------|-----------------|
| (4) Underwriting agreement includes <b>disaster out clause</b> and <b>market out clause</b> | As in (b) above | As in (b) above |
|---|-----------------|-----------------|

(d) Where:

(i) the **normal new issue margin** required on any one **commitment** is reduced due to either:

(A) the use of a **new issue letter** in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and;

(ii) the margin required in respect of such **commitment** (in the case of (d)(i)(A) where a **new issue letter** is undrawn), determined in accordance with (b)(1), (2), (3) or (4)

or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 40% of such Dealer Member's net allowable assets, such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) or (c) above on the individual underwriting position to which such excess relates.

(e) Where:

(i) the **normal new issue margin** required on some or all commitments is reduced due to either:

(A) the use of a **new issue letter** in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and

(ii) the aggregate margin required in respect of such commitments (in the case of (d)(i)(A) where a **new issue letter** is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 100% of such Dealer Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) and (c) above on **individual** underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to (d) above.

(f) In determining the amount of a Dealer Member's **commitment** pursuant to an underwriting agreement or banking group agreement for the purposes of clauses (b), (c), (d) and (e) above, receivables from members of the banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (i.e. not after-market trading) may be deducted from the liability of the Dealer Member to the issuer.

(g) Margining of private placements of restricted equity securities during the distribution period

For a private placement of a equity security subject to a four-month trading restriction (issued pursuant to National Instrument 45-102 or a similar provincial securities legislation exemption), the margin rate to be used during the distribution period shall be the greater of:

(i) The margin rate that would be otherwise applicable to the security if the restriction were not present, subject to the margin rate reductions available in this Rule 100.5; and

(ii)

(a) where it is five business days or less subsequent to the offering commitment date, 25%;

(b) where it is greater than five business days subsequent to the offering commitment date, 50%.

The margin rate to be used commencing on the offering settlement date shall be 100%.

## 100.6. Rights Offerings

Where an underwriter has a standby commitment to purchase securities in connection with a rights offering such commitment shall be margined at the following rates:

- (a) If the market value of the security (the "security") which can be acquired pursuant to the exercise of the rights is below the subscription price, the underwriter's commitment shall be valued at the current market price for the security and the margin rates applicable to the security under Rule 100.2;
- (b) If the market value of the security is equal to or greater than the subscription price the commitment shall be margined at rates calculated on the subscription price, equal to the following percentages of the margin rate applicable to the security under Rule 100.2:
  - 50% where market value is 100% to 105% of the subscription price;
  - 30% where market value is more than 105% but not more than 110% of the subscription price;
  - 10% where market value is more than 110% but not more than 125% of the subscription price; and
  - no margin required where market value is more than 125% of the subscription price.

#### **100.7. Control Blocks**

Any security which is part of a **control** block shall not be acceptable for margin purposes except to the extent that Rule 100.5 is applicable in which case the margin rates therein shall apply. Under this Rule 100.7, a **control** block means the holdings of any person, company or combination of persons or companies holding a sufficient number of any securities of an issuer to affect materially the control of that issuer, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding **voting securities** of an issuer shall, in the absence of evidence to the contrary, be deemed to affect materially the **control** of that issuer.

#### **100.8. Commodity Futures Contracts and Futures Contract Options**

"**Commodity**" and "**Futures Contract**" have the meanings given to such terms under Rule 1800.1 and "**Commodity Contract**" means a contract as defined under that Rule.

**Commodity** futures contracts and **futures contract** options (other than purchases of **futures contract** options which shall be for cash) shall be margined as follows:

- (a) Positions of Dealer Members and customers shall be marked to market and margined daily at the greatest of:
  - (i) The rate required by the commodity futures exchange on which the contract is entered into or its clearing house; or
  - (ii) The rate required by the Dealer Member's clearing broker;Provided that where a Dealer Member or a customer owns a **commodity** and such ownership is evidenced by warehouse receipts or comparable documentation and such Dealer Member or customer also has a short position in **commodity** futures contracts in the same **commodity**, the two positions may be offset and the required margin shall be computed with respect to the net long or net short position only.
- (b) In the case of a commodity futures exchange or its clearing house that prescribes margin requirements based on initial and maintenance rates, initial margin shall be required at the time the contract is entered into in an amount not less than the prescribed initial rate. When subsequent adverse price movements in the value of the contracts reduce the



margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate shall be required. The Dealer Member may, in addition, require such further margin or deposit against liability as it may consider necessary as a result of fluctuations in market prices from time to time.

- (c) Every Dealer Member shall require from each of its customers for whom trades are effected through an omnibus account not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts.
- (d) Spread margins may be applicable to an account whenever the account is in a spread position. Every Dealer Member shall designate such spread positions on its margin records.
- (e) Where a Dealer Member's account holds inter-commodity spreads in Government of Canada bond futures contracts and U.S. treasury bond futures contracts traded on recognized exchanges, the margin requirement shall be greater of the margin required on either the long side or the short side only. For this purpose, the foregoing spreads shall be on the basis of \$1.00 Canadian for each \$1.00 U.S. of the contract size of the relevant futures contracts. With respect to the United States side of the above inter-commodity spreads, such positions must be maintained on a contract market as designated pursuant to the United States Commodity Exchange Act.
- (f) Notwithstanding any other provision of the [Rules](#), the Corporation may prescribe with respect to any particular or kind of person or account greater or lesser margin requirements than those prescribed or referred to in this Rule 100.8.

#### **100.9. Customer positions in options, futures and other equity-related derivatives**

- (a) For the purposes of this Rule 100.9:
  - (i) the term “**aggregate current value**” means, in the case of index options, the level of the [index](#) at any given time multiplied by \$1.00 and then multiplied by the [unit of trading](#).
  - (ii) the term “**aggregate exercise value**” means the [exercise price](#) of an option multiplied by the [unit of trading](#).
  - (iii) the term “**call option**” means an option:
    - (A) for equity, [participation unit](#), and bond options, which gives the holder the right to buy and the writer the obligation to sell the [underlying interest](#) at a stated [exercise price](#) either on or before the expiration date of the option;
    - (B) for index options, which gives the holder the right to receive and the writer the obligation to pay, if the current value of the [index](#) rises above the [exercise price](#), the difference between the aggregate [exercise price](#) and the [aggregate current value](#) of the [underlying interest](#) either on or before the expiration date of the option; or
    - (C) for OCC options, which gives the holder the right to buy and the writer the obligation to sell the [underlying interest](#) at a stated [exercise price](#) either on or before the expiration date of the [OCC option](#).
    - (D) for CDCC currency options, which gives the holder the right to buy and the writer the obligation to sell the [underlying interest](#) at a stated

**exercise price** either on or before the expiration date of the CDCC option.

(iv) the term “**class of options**” means all options of the same type covering the same **underlying interest**.

(v) the term “**clearing corporation**” means, in respect of an option, the clearing corporation or other organization which is the issuer of the option.

(vi) the term “**customer account**” means an account for a customer of a Dealer Member, but does not include an account in which a member of a **self-regulatory organization**, or an **affiliate**, **approved person** or employee of such a Dealer Member, member or **affiliate**, as the case may be, has a direct or indirect interest, other than an interest in a commission charged.

(vii) the term “**escrow receipt**” means:

(A) in the case of an equity, a **participation unit** or a bond option, a document issued by a financial institution approved by Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular customer of a Dealer Member; or

(B) in the case of an **OCC option**, a document issued by a depository approved by the **clearing corporation**, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified **OCC option** of a particular customer of a Dealer Member.

(viii) the term “**exercise price**” in respect of an option means:

(A) in the case of an equity, a **participation unit**, a currency or a bond option, the specified price per unit at which the **underlying interest** may be received in the case of a **call option**, or delivered, in the case of a **put option**;

(B) in the case of index options, the specified price per unit, which may be received by the holder and paid by the writer in the case of a **call option** or a **put option**; or

(C) in the case of an **OCC option**, the specified price per unit at which the **underlying interest** may be received in the case of a **call option**, or delivered, in the case of a **put option**;

upon exercise of the **option**.

(ix) the term “**firm account**” means an account established by a Dealer Member, which is confined to positions carried by the Dealer Member on its own behalf.

(x) the term “**floating margin rate**” means:

(A) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or

(B) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a

minimum of twenty trading days, such rate to be reset at the close of the twentieth trading day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purposes of this definition, the term “regular reset date” is the date subsequent to the last reset date where the maximum number of trading days in the regular reset period has passed.

For the purposes of this definition, the term “regular reset period” is the normal period between margin rate resets. This period shall be determined by the Canadian self-regulatory organizations with member regulation responsibilities and shall be no longer than 60 trading days.

For the purposes of this definition, the term “regulatory margin interval”, when calculated, means the product of:

- (C) the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days; and
- (D) 3 (for a 99% confidence interval); and
- (E) the square root of 2 (for two days coverage);

rounded up to the next quarter percent.

For the purposes of this definition, the term “violation” means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate.

(xi) the term “**incremental basket margin rate**” means for a [qualifying basket of index securities](#):

- (A) 100% less the cumulative relative weight percentage (determined by calculating for each security the actual basket weighting in relation to the latest published relative weighting in the [index](#) and then determining an overall relative weight percentage) for the [qualifying basket of index securities](#), multiplied by
- (B) the weighted average margin rate for those equity securities comprising the basket for which the actual weighting is less than the latest published relative weight for the [index](#) (weighted by the percentage weighting deficiency for each security (i.e., the published relative weighting minus the actual weighting, if applicable)).

(xii) the term “**index**” means an equity index where:

- (A) the basket of equity securities underlying the [index](#) is comprised of eight or more securities;
- (B) the single largest security position by weighting comprises no more than 35% of the overall market value of the basket;
- (C) the average market capitalization for each security position in the basket of equity securities underlying the [index](#) is at least \$50 million; and
- (D) in the case of foreign equity indices, the [index](#) is both listed and traded on an exchange that meets the criteria for being considered a

recognized exchange, as set out in the definition of “regulated entities” included in the General Notes and Definitions to Form 1.

(xiii) the term “**index option**” means an option whose **underlying interest** is an **index**.

(xiv) the term “**in-the-money**” means:

(A) in the case of an equity, a **participation unit**, a currency or a bond option, that the market price;

(B) in the case of an **index option**, that the current value; or

(C) in the case of an **OCC option**, that the market price or the current value;

of the **underlying interest** is above the **exercise price** in the case of a **call option**, and below the **exercise price** in the case of a **put option**.

(xv) the term “**market maker account**” means a **firm account** of a clearing member that is confined to transactions initiated by a market maker.

(xvi) the term “**non-customer account**” means an account established with an Dealer Member by another member of a **self-regulatory organization**, or **affiliate**, **approved person** or employee of a Dealer Member, member or **affiliate**, as the case may be, in which the Dealer Member does not have an interest, direct or indirect, other than an interest in fees or commissions charged.

(xvii) the term “**OCC option**” means a **call option** or a **put option** issued by The Options Clearing Corporation.

(xviii) the term “**option**” means a **call option** or **put option** issued by the Canadian Derivatives Clearing Corporation pursuant to its **Rules**.

(xix) the term “**out-of-the-money**” means:

(A) in the case of an equity, a **participation unit**, a currency or a bond option, that the market price;

(B) in the case of an **index option**, that the current value; or

(C) in the case of an **OCC option**, that the market price or the current value;

of the **underlying interest** is below the **exercise price** in the case of a call option, and above the **exercise price** in the case of a put option.

(xx) the term “**participation unit**” means an interest in a trust, the underlying assets of which are equities and/or other securities.

(xxi) the term “**participation unit option**” means an option whose **underlying interest** is a **participation unit**.

(xxii) the term “**premium**” means the aggregate price, excluding commissions and other fees, that the buyer of an option pays and the writer of an option receives for the rights conveyed by the option contract.

(xxiii) the term “**put option**” means, an option:

(A) for an equity, a **participation unit** or a bond option, which gives the holder the right to sell and the writer the obligation to buy the

**underlying interest** at a stated **exercise price** either on or before the expiration date of the option;

(B) for index options, which gives the holder the right to receive and the writer the obligation to pay, if the current value of the **index** falls below the **exercise price**, the difference between the aggregate **exercise price** and the **aggregate current value** of the **underlying interest** either on or before the expiration date of the option; or

(C) for OCC options, which gives the holder the right to sell and the writer the obligation to buy the **underlying interest** at a stated **exercise price** either on or before the expiration date of the **OCC option**.

(D) for CDCC currency options, which gives the holder the right to sell and the writer the obligation to buy the **underlying interest** at a stated **exercise price** either on or before the expiration date of the CDCC option.

(xxiv) the term “**qualifying basket of index securities**” means a basket of equity securities:

(A) all of which are included in the composition of the same **index**;

(B) which comprise a portfolio with a market value equal to the market value of the securities underlying the **index**;

(C) where the market value of each of the equity securities comprising the portfolio proportionally equals or exceeds the market value of its relative weight in the **index**, based on the latest published relative weights of securities comprising the **index**;

(D) where the required cumulative relative weighting percentage of all equity securities comprising the portfolio:

(I) equals 100% of the cumulative weighting of the corresponding **index**, where the basket of equity securities underlying the **index** is comprised of less than twenty securities;

(II) equals or exceeds 90% of the cumulative weighting of the corresponding **index**, where the basket of equity securities underlying the **index** is comprised of twenty or more securities but less than one hundred securities; and

(III) equals or exceeds 80% of the cumulative weighting of the corresponding **index**, where the basket of equity securities underlying the **index** is comprised of one hundred or more securities;

based on the latest published relative weightings of the equity securities comprising the **index**.

(E) where, in the circumstance where the cumulative relative weighting of all equity securities comprising the portfolio equals or exceeds the required cumulative relative weighting percentage and is less than 100% of the cumulative weighting of the corresponding **index**, the deficiency in the basket is filled by other equity securities included in the composition of the **index**.

(xxv) the term “**time value**” means any excess of the market value of the option over the **in-the-money** value of the option.

(xxvi) the term “**tracking error margin rate**” means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The method of calculation and the margin rate reset policy is the same as that used for the **floating margin rate**.

(xxvii) the term “**underlying interest**” means,

- (A) in the case of an equity, a **participation unit** or a bond option, the security;
- (B) in the case of an **index option**, the **index**;
- (C) in the case of an **OCC option** in a currency, the currency;
- (D) in the case of an **OCC option** in debt, the **debt**;
- (E) in the case of an **OCC option** in an **index**, the **index**;
- (F) in the case of any other **OCC option**, the security;
- (G) in the case of a CDCC currency option, the currency;

which is the subject of the option.

(xxviii) the term “**unit of trading**” means the number of units of the **underlying interest** which have been designated by the exchange as the minimum number or value to be the subject of a single option in a series of options. In the absence of any such designation, for a series of options:

- (A) in which the **underlying interest** is an equity, the **unit of trading** shall be 100 shares;
- (B) in which the **underlying interest** is an **index**, the **unit of trading** shall be 100 units;
- (C) in which the **underlying interest** is a bond, the **unit of trading** shall be 250 units;
- (D) in which the **underlying interest** is a **participation unit**, the **unit of trading** shall be 100 units.

**(b) Exchange traded options – general margin requirements**

The minimum amount of margin which must be obtained in margin accounts of customers having positions in options shall be as follows:

- (i) All opening writing transactions and resulting short positions must be carried in a margin account.
- (ii) Each option shall be margined separately and:

(A) in the case of equity, currency or participation unit options, any difference between the market price of the underlying interest; or

(B) in the case of index options, any difference between the current value of the index,

and the exercise price of the option shall be considered to be of value only in providing the amount of margin required on that particular option.

(iii) Where a customer account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the margin requirements for the account under this Rule 100.9.

(iv) For CDCC currency options, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined using the Corporation's published spot risk margin rate for the currency.

(v) From time to time the Corporation may impose special margin requirements with respect to particular options or particular positions in options.

**(c) Long option positions**

(i) Subject to sub-paragraph (ii), the margin requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal margin required for the underlying interest; and

(II) the option's in-the-money amount, if any.

(ii) Where in the case of equity options, the underlying interest in respect of a long call option is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on such call option shall be the market value of the call option less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement shall be applied pro rata in the same proportion as the offer and paragraph (c)(i) shall apply to the balance.

**(d) Short option positions**

(i) The minimum credit requirement which must be maintained in respect of an option carried short in a customer account shall be:

(A) 100% of the current market value of the option; plus

(B) a percentage of the market value of the underlying interest determined using the following percentages:

(I) For equity options or equity participation unit options, the margin rate used for the underlying interest;



(II) For index options or index participation unit options, the published floating margin rate for the index or index participation unit;

(III) For CDCC currency options, the Corporation's published spot risk margin rate for the currency;

minus

(C) any out-of-the-money amount associated with the option.

(ii) Paragraph (d)(i) notwithstanding, the minimum credit requirement which must be maintained and carried in a customer account trading in options shall be not less than:

(A) 100% of the current market value of the option; plus

(B) an additional requirement determined by multiplying:

(I) In the case of a short call option position, the market value of the underlying interest; or

(II) In the case of a short put option position, the aggregate exercise value of the option;

by one of the following percentages:

(III) For equity options or equity participation unit options, 5.00%; or

(IV) For index options or index participation unit options, 2.00%; or

(V) For CDCC currency options, 0.75%.

**(e) Covered option positions**

(i) No margin shall be required for a call option carried short in a customer's account which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Corporation. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation.

(ii) No margin shall be required for a put option carried short in a customer's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:

(A) shall be government securities:

(I) which are acceptable forms of margin for the clearing corporation; and

(II) which mature within one year of their deposit; and



(B) shall not be deemed to have any value for margin purposes.

The **aggregate exercise value** of the short **put option** shall not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an **escrow receipt** for the purposes hereof if the agreements required by the rules of the **clearing corporation** have been executed and delivered to the **clearing corporation** and if a copy thereof is available to the Corporation on request. The issuer of the **escrow receipt** covering the escrow deposit must be a financial institution approved by the **clearing corporation**.

(iii) No margin shall be required for a **put option** carried short in a customer's account if the customer has delivered to the Dealer Member with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the **clearing corporation** to issue escrow receipts, in a form satisfactory to the Corporation, and is:

(A) a bank which is a Canadian **chartered bank** or a Quebec savings bank; or

(B) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000;

provided that the letter of guarantee certifies that the bank or trust company

(C) holds on deposit for the account of the customer cash in the full amount of the **aggregate exercise value** of the **put option** and that such amount will be paid to the **clearing corporation** against delivery of the **underlying interest** covered by the put option; or

(D) unconditionally and irrevocably guarantees to pay to the **clearing corporation** the full amount of the **aggregate exercise value** of the **put option** against delivery of the **underlying interest** covered by the **put option**;

and further provided that the Dealer Member has delivered the letter of guarantee to the **clearing corporation** and the **clearing corporation** has accepted it as margin.

**(f) Option spreads and combinations**

**(i) Call spreads and put spreads**

Where a **customer account** contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:

- long **call option** and short **call option**; or
- long **put option** and short **put option**;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing shall be the lesser of:

(A) the margin required on the short option pursuant to subparagraphs 100.9(d)(i) and (ii); or

(B) the spread loss amount, if any, that would result if both options were exercised.

**(ii) Short call – short put spreads**

Where a **call option** is carried short for a customer's account and the account is also short a **put option** on the same number of units of trading on the same **underlying interest**, the minimum margin required shall be the greater of:

- (A) the greater of:
  - (I) the margin required on the **call option** position; or
  - (II) the margin required on the **put option** position;

and

- (B) the excess of the **aggregate exercise value** of the **put option** over the **aggregate exercise value** of the **call option**.

**(iii) Long call – long put**

Where a **call option** is carried long for a customer's account and the account is also long a **put option** on the same number of units of trading on the same **underlying interest**, the minimum margin required shall be the lesser of:

- (A) the sum of:
  - (I) the margin required for the long **call option** position; and
  - (II) the margin required for the long **put option** position;

or

- (B) the sum of:
  - (I) 100% of the market value of the long **call option**; and
  - (II) 100% of the market value of the long **put option**; minus
  - (III) the amount by which the **aggregate exercise value** of the **put option** exceeds the **aggregate exercise value** of the **call option**.

**(iv) Long call – short call – long put**

Where a **call option** is carried long for a customer's account and the account is also short a **call option** and long a **put option** on the same number of units of trading on the same **underlying interest**, the minimum margin required shall be:

- (A) 100% of the market value of the long **call option**; plus
- (B) 100% of the market value of the long **put option**; minus
- (C) 100% of the market value of the short **call option**; plus
- (D) the greater of:
  - (I) any excess of the **aggregate exercise value** of the long **call option** over the **aggregate exercise value** of the short **call option**; and
  - (II) any excess of the **aggregate exercise value** of the long **call option** over the **aggregate exercise value** of the long **put option**.

Where the amount calculated in (D) is negative, this amount may be applied against the margin charge.

**(v) Short call – long warrant**

Where a **call option** is carried short for a customer's account and the account is also long a warrant on the same number of units of trading on the same **underlying interest**, the minimum margin required shall be the sum of:

- (A) the lesser of:
  - (I) the margin required for the **call option** pursuant to subparagraph 100.09(d)(i)(B); or
  - (II) the spread loss amount, if any, that would result if both the option and the warrant were exercised;

and

- (B) the excess of the market value of the warrant over the **in-the-money** value of the warrant multiplied by 25%; and
- (C) the **in-the-money** value of the warrant, multiplied by:
  - (I) 50%, where the expiration date of the warrant is 9 months or more away, or
  - (II) 100%, where the expiration date of the warrant is fewer than 9 months away.

The market value of any **premium** credit carried on the short **call option** may be used to reduce the margin required on the long warrants, but cannot reduce the margin required to less than zero.

**(vi) Box spread**

Where a customer account contains a box spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required shall be the lesser of:

- (I) the greater of the margin requirements calculated for the component call and put spreads (Rule 100.9(f)(i)); and
- (II) the greater of the **out-of-the-money** amounts calculated for the component call and put spreads.

**(vii) Long butterfly spread**

Where a customer account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum margin required shall be the net market value of the short and long call options (or put options).

**(viii) Short butterfly spread**

Where a customer account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum margin required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the margin required.

**(ix) Long Condor Spread**

Where a customer account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

**(x) Short Iron Butterfly Spread**

Where a customer account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

**(xi) Short Iron Condor Spread**

Where a customer account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

**(g) Option and security combinations**

**(i) Short call – long underlying (or convertible) combination**

Where, in the case of equity, currency or equity [participation unit options](#), a [call option](#) is carried short in a customer's account and the account is also long an

equivalent position in the [underlying interest](#) or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time shall be prior to the expiration of the [call option](#)) into the [underlying interest](#), or in the case of equity [participation unit options](#) in securities readily exchangeable into the [underlying interest](#), the minimum margin required shall be the sum of:

- (A) the lesser of:
  - (I) the normal margin required on the [underlying interest](#); and
  - (II) any excess of the [aggregate exercise value](#) of the call options over the normal loan value of the [underlying interest](#);

and

- (B) where a convertible security or exchangeable security is held, the amount of the conversion loss as defined in Rule 100.4H.

In the case of exchangeable or convertible securities, the right to exchange or convert the long security shall not expire prior to the expiration date of the short [call option](#). If the expiration of the right to exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short [call option](#) shall be considered uncovered after the date on which such right to exchange or convert expires.

(ii) Short put – short underlying combination

Where, in the case of equity or equity [participation unit options](#), a [put option](#) is carried short in a customer's account and the account is also short an equivalent position in the [underlying interest](#), the minimum margin required shall be the lesser of:

- (A) the normal margin required on the [underlying interest](#); and
- (B) any excess of the normal credit required on the [underlying interest](#) over the [aggregate exercise value](#) of the put options.

(iii) Long call – short underlying combination

Where, in the case of equity, currency or equity [participation unit options](#), a [call option](#) is carried long in a customer's account and the account is also short an equivalent position in the [underlying interest](#), the minimum credit required shall be the sum of:

- (A) 100% of the market value of the [call option](#); and
- (B) the lesser of:
  - (I) the [aggregate exercise value](#) of the call option; and
  - (II) the normal credit required on the [underlying interest](#).

(iv) Long put – long underlying combination

Where, in the case of equity, currency or equity [participation unit options](#), a [put option](#) is carried long in a customer's account and the account is also long an equivalent position in the [underlying interest](#), the minimum margin required shall be the lesser of:

- (A) the normal margin required on the **underlying interest**; and
- (B) the excess of the combined market value of the **underlying interest** and the **put option** over the **aggregate exercise value** of the **put option**.

(v) Conversion or long tripo combination

Where, in the case of equity or **participation unit options**, a position in an **underlying interest** is carried long in a customer's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum margin required shall be:

- (A) 100% of the market value of the long put options; minus
- (B) 100% of the market value of the short call options; plus
- (C) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the **aggregate exercise value** of the long put options or the short call options, whichever is lower.

(vi) Reconversion or short tripo combination

Where, in the case of equity or **participation unit options**, a position in an **underlying interest** is carried short in a customer's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum margin required shall be:

- (A) 100% of the market value of the long call options; minus
- (B) 100% of the market value of the short put options; plus
- (C) the difference, plus or minus, between the **aggregate exercise value** of the long call options or short put options, whichever is higher, and the market value of the qualifying basket (or participation units).

**(h) Offset combinations involving index products**

(i) **Index option** and **index participation unit option** spread combinations

- (A) Call spread combinations and put spread combinations

Where a **customer account** contains one of the following spread combinations:

- long **index put option** and short **index participation unit put option**; or
- long **index call option** and short **index participation unit call option**; or
- long **index participation unit call option** and short **index call option**; or
- long **index participation unit put option** and short **index put option**;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread combination shall be the lesser of:

- (I) the margin required on the short option pursuant to subparagraphs 100.9(d)(i) and (ii); and
- (II) the greater of:
  - (a) the loss amount, if any, that would result if both options were exercised; and
  - (b) the published [tracking error margin rate](#) for a spread between the [index](#) and the related participation units, multiplied by the market value of the underlying participation units.

(B) Short call – short put spread combinations

Where a [customer account](#) contains one of the following combinations:

- short [index call option](#) and short [index](#) participation unit [put option](#); or
- short [index](#) participation unit [call option](#) and short [index](#) [put option](#);

the minimum margin required shall be the greatest of:

- (I) the greater of:
  - (a) the margin required on the short [call option](#) position; or
  - (b) the margin required on the short [put option](#) position;

and

- (II) the excess of the [aggregate exercise value](#) of the short [put option](#) over the [aggregate exercise value](#) of the short [call option](#);

and

- (III) the published [tracking error margin rate](#) for a spread between the [index](#) and the related participation units, multiplied by the market value of the underlying participation units.

(ii) [Index option](#) combinations with [index](#) baskets and [index](#) participation units

(A) Short [call option](#) combinations with long qualifying [index](#) baskets or long [index](#) participation units

Where a [customer account](#) contains one of the following option related combinations:

- short [index](#) call options and long an equivalent number of qualifying baskets of [index](#) securities; or
- short [index](#) call options and long an equivalent number of [index participation units](#) (Note: Subject to tracking error minimum margin); or

- short **index** participation unit call options and long an equivalent number of qualifying baskets of **index** securities (Note: Subject to tracking error minimum margin); or
- short **index** participation unit call options and long an equivalent number of **index** participation units;

the minimum margin required shall be the greater of:

- (I) the lesser of:
  - (a) the normal margin required on the qualifying basket (or **participation units**); and
  - (b) any excess of the exercise value of the call options over the normal loan value of the qualifying basket (or **participation units**);

and

- (II) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.

- (B) Short **put option** combinations with short qualifying **index** baskets or short **index** participation units

Where a **customer account** contains one of the following option related combinations:

- short **index** put options and short an equivalent number of qualifying baskets of **index** securities; or
- short **index** put options and short an equivalent number of **index** participation units (Note: Subject to tracking error minimum margin); or
- short **index** participation unit put options and short an equivalent number of qualifying baskets of **index** securities (Note: Subject to tracking error minimum margin); or
- short **index** participation unit put options and short an equivalent number of **index** participation units;

the minimum margin required shall be the greater of:

- (I) the lesser of:
  - (a) the normal margin required on the qualifying basket (or **participation units**); and
  - (b) any excess of the normal credit required on the qualifying basket (or **participation units**) over the exercise value of the put options;

and

- (II) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation



units, multiplied by the market value of the underlying participation units.

(C) Long call option combinations with short qualifying index baskets or short index participation units

Where a customer account contains one of the following option related combinations:

- long index call options and short an equivalent number of qualifying baskets of index securities; or
- long index call options and short an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of index participation units;

the minimum credit required shall be the sum of:

- (I) 100% of the market value of the call options, and
- (II) the greater of:
  - (a) the lesser of:
    - (i) the aggregate exercise value of the call options; and
    - (ii) the normal credit required on the qualifying basket (or participation units);
  - (b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(D) Long put option combinations with long qualifying index baskets or long index participation units

Where a customer account contains one of the following option related combinations:

- long index put options and long an equivalent number of qualifying baskets of index securities; or
- long index put options and long an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of index participation units;

the minimum margin required shall be the greater of:

- (I) the lesser of:
  - (a) the normal margin required on the qualifying basket (or participation units); and
  - (b) the excess of the combined market value of the qualifying basket (or participation units) and the put option over the aggregate exercise value of the put option;

and

- (II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(E) Conversion or long trip combinations

Where a customer account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum margin required shall be the sum of:

- (I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- (II) the greater of:
  - (a) the sum of:
    - (i) 100% of the market value of the long put options; minus

(ii) 100% of the market value of the short call options; plus

(iii) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the [aggregate exercise value](#) of the long put options or short call options, whichever is lower;

and

(b) where applicable, the published [tracking error margin rate](#) for a spread between the [index](#) and the related participation units, multiplied by the market value of the underlying participation units.

(F) Reconversion or short trip combinations

Where a [customer account](#) contains one of the following option related combinations:

- short a [qualifying basket of index securities](#), short an equivalent number of [index](#) put options and long an equivalent number of [index](#) call options (Note: Subject to incremental margin where qualifying basket is imperfect); or

- short [index](#) participation units, short an equivalent number of [index](#) put options and long an equivalent number of [index](#) call options (Note: Subject to tracking error minimum margin); or

- short a [qualifying basket of index securities](#), short an equivalent number of [index](#) participation unit put options and long an equivalent number of [index](#) participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or

- short [index](#) participation units, short an equivalent number of [index](#) participation unit put options and long an equivalent number of [index](#) participation unit call options;

the minimum margin required shall be the sum of:

(I) where applicable, the calculated incremental margin rate for the [qualifying basket of index securities](#), multiplied by the market value of the qualifying basket;

and

(II) the greater of:

(a) the sum of:

(i) 100% of the market value of the long call options; minus

(ii) 100% of the market value of the short put options; plus

(iii) the difference, plus or minus, between the **aggregate exercise value** of the long call options or short put options, whichever is higher, and the market value of the qualifying basket (or participation units);

and

(b) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.

(iii) Index basket combinations with **index** participation units

(A) Long qualifying **index** basket offset with short **index** participation units

Where a position in a **qualifying basket of index securities** is carried long in a customer's account and the account is also short an equivalent number of **index** participation units, the margin required shall be the sum of the published **tracking error margin rate** plus the calculated **incremental basket margin rate** for the qualifying basket, multiplied by the market value of the participation units.

(B) Short qualifying **index** basket offset with long **index** participation units

Where a position in a **qualifying basket of index securities** is carried short in a customer's account and the account is also long an equivalent number of **index** participation units, the margin required shall be the sum of:

(I) the **tracking error margin rate**, unless the short basket is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units;

and

(II) the calculated **incremental basket margin rate** for the qualifying basket;

multiplied by the market value of the participation units.

(iv) Index futures contract combinations with **index** baskets and **index** participation units

Where a **customer account** contains one of the following futures related combinations:

- long (or short) a **qualifying basket of index securities** and short (or long) an equivalent number of **index** futures contracts; or
- long (or short) **index** participation units and short (or long) an equivalent number of **index** futures contracts;

the margin required shall be the published **tracking error margin rate** plus the calculated **incremental basket margin rate** for the qualifying basket (not

applicable if hedging with participation units), multiplied by the market value of the qualifying basket (or participation units).

(v) **Index option combinations with index futures contracts**

With respect to index options, index participation units options and index futures contracts held in customer accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

(A) Short index call options or short index participation unit call options - long index futures contracts

Where a customer account contains one of the following futures and options related combinations:

- short index call options and long index futures contracts (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long index futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be the greater of:

(I)

- (a) the margin otherwise required on the futures contracts; less
- (b) the aggregate market value of the short call options;

and

(II) the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(B) Short index put options or short index participation unit put options - short index futures contracts

Where a customer account contains one of the following futures and options related combinations:

- short index put options and short index futures contracts (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short index futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be the greater of:

(I)

- (a) the margin otherwise required on the futures contracts, less

(b) the aggregate market value of the short put options;

and

(II) the published **tracking error margin rate** for a spread between the future and the related **index** or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(C) Long **index** call options or long **index** participation unit call options - short **index** futures contracts

Where a **customer account** contains one of the following futures and options related combinations:

- long **index** call options and short **index** futures contracts (Note: Subject to tracking error minimum margin); or

- long **index** participation unit call options and short **index** futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) **Out-of-the-money** position

The **aggregate exercise value** of the long call options less the daily settlement value of the short futures contracts, to a maximum of the margin required on unhedged futures contracts, plus the aggregate market value of the call options;

(II) **In-the-money** or at-the-money position

The amount by which the aggregate market value of the call options exceeds the aggregate **in-the-money** amount of the call options;

but in no case may the margin required be less than the published **tracking error margin rate** for a spread between the future and the related **index** or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(D) Long **index** put options or long **index participation unit** put options - long **index** futures contracts

Where a **customer account** contains one of the following futures and options related combinations:

- long **index** put options and long **index** futures contracts (Note: Subject to tracking error minimum margin); or

- long **index participation unit** put options and long **index** futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) **Out-of-the-money** position

The daily settlement value of the long futures contracts less the [aggregate exercise value](#) of the long put options, to a maximum of the margin required on unhedged futures contracts, plus the aggregate market value of the put options;

(II) [In-the-money](#) or at-the-money option position

The amount by which the aggregate market value of the put options exceeds the aggregate [in-the-money](#) amount of the put options;

but in no case may the margin required be less than the published [tracking error margin rate](#) for a spread between the future and the related [index](#) or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(E) Conversion or long tripo combination involving index options or [index participation unit options](#) and [index](#) futures contracts

Where a [customer account](#) contains one of the following tripo combinations:

- long [index](#) futures contracts and long an equivalent number of [index](#) put options and short an equivalent number of [index](#) call options with the same expiry date (Note: Subject to tracking error minimum margin); or
- long [index](#) futures contracts and long an equivalent number of [index](#) participation unit put options and short an equivalent number of [index](#) participation unit call options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) the difference, plus or minus, between the daily settlement value of the long futures contracts and the [aggregate exercise value](#) of the long put options or the short call options, whichever is lower, plus

(II) the aggregate net market value of the put and call options;

but in no case may the margin required be less than the published [tracking error margin rate](#) for a spread between the future and the related [index](#) or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(F) Reconversion or short tripo combination involving [index](#) options or [index participation unit options](#) and [index](#) futures contracts

Where a [customer account](#) contains one of the following tripo combinations:

- short [index](#) futures contracts and long an equivalent number of [index](#) call options and short an equivalent number of [index](#) put options with the same expiry date (Note: Subject to tracking error minimum margin); or

- short **index** futures contracts and long an equivalent number of **index participation unit** call options and short an equivalent number of **index participation unit** put options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) the difference, plus or minus, between the **aggregate exercise value** of the long call options or short put options, whichever is higher, and the daily settlement value of the short futures contracts, plus

(II) the aggregate net market value of the call and put options;

but in no case may the margin required be less than the published **tracking error margin rate** for a spread between the future and the related **index** or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(G) With respect to the offsets enumerated in clauses (A) to (F), partial offsets are not permitted.

**(i) Cross index offset combinations involving index products**

Offsets are currently not available for offset positions in customer accounts involving products based on two different indices.

**(j) Margin requirements for positions in and offsets involving OCC options**

The margin requirements for OCC options shall be the same as set out in Rule 100.9.

**100.10. Dealer Members' positions in options, futures and other equity-related derivatives**

(a) For the purposes of this Rule 100.10:

(i) the terms "aggregate current value", "aggregate exercise value", "call option", "class of options", "clearing corporation", "customer account", "escrow receipt", "exercise price", "firm account", "floating margin rate", "incremental basket margin rate", "index", "index option", "in-the-money", "market maker account", "non-customer account", "OCC option", "option", "out-of-the-money", "participation unit", "participation unit option", "premium", "put option", "qualifying basket of index securities", "tracking error margin rate", "underlying interest" and "unit of trading" mean the same as set out in Rule 100.9(a).

(ii) the term "**Dealer Member account**" means all non-customer accounts including firm accounts, market maker accounts and specialist accounts.

**(b) Exchange traded options – general capital requirements**

The capital requirements with respect to options and options-related positions in securities held in Dealer Member accounts shall be as follows:

(i) in the treatment of spreads, the long position may expire before the short position;

(ii) for any short position carried for a customer or **non-customer account** where the account has not provided required margin, any shortfall will be charged against the Dealer Member's capital;



(iii) where a **Dealer Member account** holds both options and OCC options that have the same **underlying interest**, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under this Rule 100.10; and

(iv) for CDCC currency options, the normal margin required for the **underlying interest** shall be a percentage of the market value of the **underlying interest** determined in using the Corporation's published spot risk margin rate for the currency.

(v) from time to time the Corporation may impose special capital requirements with respect to particular options or particular positions in options.

**(c) Long option positions**

(i) For Dealer Member accounts, subject to sub-paragraph (ii), the capital requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal capital required for the **underlying interest**; and

(II) the option's **in-the-money** amount, if any.

(ii) Where in the case of equity options, the **underlying interest** in respect of a long call is the subject of a legal and binding cash take-over bid for which all conditions have been met, the capital required on such call shall be the market value of the call less the amount by which the amount offered exceeds the **exercise price** of the call. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the capital requirement shall be applied pro rata in the same proportion as the offer and paragraph (c)(i) shall apply to the balance.

**(d) Short option positions**

The capital requirement which must be maintained in respect of an option carried short in a **Dealer Member account** shall be:

(i)

(A) in the case of equity or equity participation unit options, the market value of the equivalent number of equity securities or participation units, multiplied by the **underlying interest** margin rate; or

(B) in the case of **index** participation unit options, the market value of the equivalent number of **index** participation units, multiplied by the **floating margin rate**; or

(C) in the case of **index options**, the **aggregate current value** of the **index**, multiplied by the **floating margin rate**;

(D) in case of CDCC currency options, a percentage of the market value of the underlying currency determined by using the Corporation's published spot risk margin rate for the currency;

minus

(ii) any **out-of-the-money** amount associated with the option.

**(e) Covered option positions**

(i) No capital shall be required for a **call option** carried short in a **Dealer Member account**, which is covered by the deposit of an **escrow receipt**. The **underlying interest** deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the **underlying interest** shall be deemed an **escrow receipt** for the purposes hereof if the agreements required by the rules of the **clearing corporation** have been executed and delivered to the **clearing corporation** and if a copy thereof is available to the Corporation. The issuer of the **escrow receipt** covering the escrow deposit must be a financial institution approved by the **clearing corporation**.

(ii) No capital shall be required for a **put option** carried short in a **Dealer Member account** which is covered by the deposit of an **escrow receipt** which certifies that acceptable government securities are being held by the issuer of the **escrow receipt** for the account of the Dealer Member. The acceptable government securities held on deposit:

(A) shall be government securities:

(I) which are acceptable forms of margin for the clearing corporation; and

(II) which mature within one year of their deposit; and

(B) shall not be deemed to have any value for margin purposes.

The **aggregate exercise value** of the short put options shall not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an **escrow receipt** for the purposes hereof if the agreements required by the rules of the **clearing corporation** have been executed and delivered to the **clearing corporation** and if a copy thereof is available to the Corporation on request. The issuer of the **escrow receipt** covering the escrow deposit must be a financial institution approved by the **clearing corporation**.

(iii) No capital shall be required for a **put option** carried short in a **Dealer Member account** if the Dealer Member has obtained a letter of guarantee, issued by a financial institution which has been authorized by the **clearing corporation** to issue escrow receipts, in a form satisfactory to the Corporation, and is:

(A) a bank which is a Canadian **chartered bank** or a Quebec savings bank; or

(B) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

(C) holds on deposit for the account of the Dealer Member cash in the full amount of the **aggregate exercise value** of the put and that such amount will be paid to the **clearing corporation** against delivery of the **underlying interest** covered by the put; or

(D) unconditionally and irrevocably guarantees to pay to the **clearing corporation** the full amount of the **aggregate exercise value** of the put against delivery of the **underlying interest** covered by the put;

and further provided that the Dealer Member has delivered the letter of guarantee to the **clearing corporation** and the **clearing corporation** has accepted it as margin.

**(f) Option spreads and combinations**

**(i) Call spreads and put spreads**

Where a **Dealer Member account** contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:

- long **call option** and short **call option**; or
- long **put option** and short **put option**;

the minimum capital required for the spread pairing shall be the lesser of:

- (A) the capital required on the short option pursuant to subparagraph 100.10(d)(i); or
- (B) the spread loss amount, if any, that would result if both options were exercised.

**(ii) Short call – short put spreads**

Where a **call option** is carried short for a Dealer Member's account and the account is also short a **put option** on the same number of units of trading on the same **underlying interest**, the minimum capital required shall be the greater of:

- (A) the greater of:
  - (I) the capital required on the **call option** position; or
  - (II) the capital required on the **put option** position;

and

- (B) the excess of the **aggregate exercise value** of the **put option** over the **aggregate exercise value** of the call option.

**(iii) Long call – long put**

Where a **call option** is carried long for a Dealer Member's account and the account is also long a **put option** on the same number of units of trading on the same **underlying interest**, the minimum capital required shall be the lesser of:

- (A) the sum of:
  - (I) the capital required for the long **call option** position; and
  - (II) the capital required for the long **put option** position;

or

- (B) the sum of:
  - (I) 100% of the market value of the long **call option**; and
  - (II) 100% of the market value of the long **put option**; minus
  - (III) the amount by which the **aggregate exercise value** of the **put option** exceeds the **aggregate exercise value** of the call option.

**(iv) Long call – short call – long put**

Where a **call option** is carried long for a Dealer Member's account and the account is also short a **call option** and long a **put option** on the same number of units of trading on the same **underlying interest**, the minimum capital required shall be:

- (A) 100% of the market value of the long **call option**; plus
- (B) 100% of the market value of the long **put option**; minus
- (C) 100% of the market value of the short **call option**; plus
- (D) the greater of:
  - (I) any excess of the **aggregate exercise value** of the long **call option** over the **aggregate exercise value** of the short **call option**; and
  - (II) any excess of the **aggregate exercise value** of the long **call option** over the **aggregate exercise value** of the long **put option**.

Where the amount calculated in (D) is negative, this amount may be applied against the capital charge.

**(v) Short call – long warrant**

Where a **call option** is carried short for a Dealer Member's account and the account is also long a warrant on the same number of units of trading on the same **underlying interest**, the minimum capital required shall be the sum of:

- (A) the lesser of:
  - (I) the capital required for the **call option** pursuant to subparagraph 100.10(d)(i); or
  - (II) the spread loss amount, if any, that would result if both the option and the warrant were exercised;

and

- (B) the excess of the market value of the warrant over the **in-the-money** value of the warrant multiplied by 25%; and
- (C) the **in-the-money** value of the warrant, multiplied by:
  - (I) 50%, where the expiration date of the warrant is 9 months or more away, or
  - (II) 100%, where the expiration date of the warrant is fewer than 9 months away.

The market value of any premium credit carried on the short call option may be used to reduce the capital required on the long warrants, but cannot reduce the capital required to less than zero.

**(vi) Box spread**

Where a Dealer Member account contains a box spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required shall be the sum of:

- (I) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and
- (II) the net market value of the options.

**(vii) Long butterfly spread**

Where a Dealer Member account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum capital required shall be the net market value of the short and long call options (or put options).

**(viii) Short butterfly spread**

Where a Dealer Member account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum capital required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the capital required.

**(ix) Long Condor Spread**

Where a Dealer Member account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required shall be the net market value of the short and long call options (or put options).

**(x) Short Iron Butterfly Spread**

Where a **Dealer Member account** contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.

**(xi) Short Iron Condor Spread**

Where a **Dealer Member account** contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

**(g) Option and security combinations**

**(i) Short call – long underlying (or convertible) combination**

Where, in the case of equity, currency or equity participation unit options, a **call option** is carried short in a Dealer Member's account and the account is also long an equivalent position in the **underlying interest** or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time shall be prior to the expiration of the **call option**) into the **underlying interest**, or in the case of equity participation unit options in securities readily exchangeable into the **underlying interest**, the minimum capital required shall be the sum of:

(A) the lesser of:

(I) the normal capital required on the **underlying interest**;  
and

(II) any excess of the **aggregate exercise value** of the call options over the normal loan value of the **underlying interest**;

and

(B) where a convertible security or exchangeable security is held, the amount of the conversion loss as defined in Rule 100.4H.

The market value of any **premium** credit carried on the short call may be used to reduce the capital required on the long security, but cannot reduce the capital required to less than zero.

**(ii) Short put – short underlying combination**

Where, in the case of equity, currency or equity participation unit options, a **put option** is carried short in a Dealer Member's account and the account is also short

an equivalent position in the **underlying interest**, the minimum capital required shall be the lesser of:

- (A) the normal capital required on the **underlying interest**; and
- (B) any excess of the normal capital required on the **underlying interest** over the **in-the-money** value, if any, of the put options.

The market value on any **premium** credit carried on the short put may be used to reduce the capital required on the short security, but cannot reduce the capital required to less than zero.

**(iii) Long call – short underlying combination**

Where, in the case of equity, currency or equity participation unit options, a **call option** is carried long in a Dealer Member's account and the account is also short an equivalent position in the **underlying interest**, the minimum capital required shall be the sum of:

- (A) 100% of the market value of the long **call option**; plus
- (B) the lesser of:
  - (I) any **out-of-the-money** value associated with the **call option**; or
  - (II) the normal capital required on the **underlying interest**.

Where the **call option** is **in-the-money**, this **in-the-money** value may be applied against the capital required, but cannot reduce the capital required to less than zero.

**(iv) Long put – long underlying combination**

Where, in the case of equity, currency or equity participation unit options, a **put option** is carried long in a Dealer Member's account and the account is also long an equivalent position in the **underlying interest**, the minimum capital required shall be the lesser of:

- (A) the normal capital required on the **underlying interest**; and
- (B) the excess of the combined market value of the **underlying interest** and the **put option** over the **aggregate exercise value** of the **put option**.

Where the **put option** is **in-the-money**, this **in-the-money** value may be applied against the capital required, but cannot reduce the capital required to less than zero.

**(v) Conversion or long tripo combination**

Where, in the case of equity or participation unit options, a position in an **underlying interest** is carried long in a Dealer Member's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required shall be:

- (A) 100% of the market value of the long put options; minus
- (B) 100% of the market value of the short call options; plus
- (C) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the **aggregate exercise value** of the long put options or the short call options, whichever is lower.

**(vi) Reconversion or short tripo combination**

Where, in the case of equity or participation unit options, a position in an **underlying interest** is carried short in a Dealer Member's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required shall be:

- (A) 100% of the market value of the long call options; minus
- (B) 100% of the market value of the short put options; plus
- (C) the difference, plus or minus, between the **aggregate exercise value** of the long call options or short put options, whichever is higher, and the market value of the qualifying basket (or participation units).

**(h) Offset combinations involving index products**

**(i) Index option and index participation unit option spread combinations**

- (A) Call spread combinations and put spread combinations

Where a **Dealer Member account** contains one of the following spread combinations:

- long **index** participation unit **call option** and short **index call option**; or
- long **index** call option and short **index** participation unit **call option**; or
- long **index** participation unit **put option** and short **index put option**; or
- long **index put option** and short **index** participation unit **put option**;

and the short option expires on or before the date of expiration of the long option, the minimum capital required for the spread combination shall be the lesser of:

- (I) the capital required on the short option pursuant to subparagraph 100.10(d)(i); and
- (II) the greater of:
  - (a) spread loss amount, if any, that would result if both options were exercised; and
  - (b) the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.



(B) Short call – short put spread combinations

Where a Dealer Member account contains one of the following spread combinations:

- short index participation unit call option and short index put option; or
- short index call option and short index participation unit put option;

the minimum capital required shall be the greatest of:

- (I) the greater of:
- (a) the capital required on the short call option position; or
  - (b) the capital required on the short put option position;

and

- (II) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;

and

- (III) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

**(ii) Index option combinations with index baskets and index participation units**

(A) Short call option combinations with long qualifying index baskets or long index participation units

Where a Dealer Member account contains one of the following option related combinations:

- short index call options and long an equivalent number of qualifying baskets of index securities; or
- short index call options and long an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of index participation units;

the minimum capital required shall be the greater of:

- (I) the lesser of:
- (a) the normal capital required on the qualifying basket (or participation units); and

(b) any excess of the exercise value of the call options over the normal loan value of the qualifying basket (or participation units);

and

(II) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.

(B) Short **put option** combinations with short qualifying **index** baskets or short **index** participation units

Where a **Dealer Member account** contains one of the following option related combinations:

- short **index** put options and short an equivalent number of qualifying baskets of **index** securities; or
- short **index** put options and short an equivalent number of **index** participation units (Note: Subject to tracking error minimum margin); or
- short **index** participation unit put options and short an equivalent number of qualifying baskets of **index** securities (Note: Subject to tracking error minimum margin); or
- short **index** participation unit put options and short an equivalent number of **index** participation units;

the minimum capital required shall be the greater of:

(I) the lesser of:

- (a) the normal capital required on the qualifying basket (or participation units); and
- (b) any excess of the normal credit required on the **underlying interest** over the exercise value of the put options.

(II) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.

(C) Long **call option** combinations with short qualifying **index** baskets or short **index** participation units

Where a **Dealer Member account** contains one of the following option related combinations:

- long **index** call options and short an equivalent number of qualifying baskets of **index** securities; or
- long **index** call options and short an equivalent number of **index** participation units (Note: Subject to tracking error minimum margin); or

- long **index** participation unit call options and short an equivalent number of qualifying baskets of **index** securities (Note: Subject to tracking error minimum margin); or
- long **index** participation unit call options and short an equivalent number of **index** participation units;

the minimum capital required shall be the sum of:

- (I) 100% of the market value of the call options, and
- (II) the greater of:
  - (a) the lesser of:
    - (i) the **aggregate exercise value** of the call options less the market value of the qualifying basket (or participation units); and
    - (ii) the normal capital required on the qualifying basket (or participation units);
  - (b) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.
- (D) Long **put option** combinations with long qualifying **index** baskets or long **index** participation units

Where a **Dealer Member account** contains one of the following option related combinations:

- long **index** put options and long an equivalent number of qualifying baskets of **index** securities; or
- long **index** put options and long an equivalent number of **index** participation units (Note: Subject to tracking error minimum margin); or
- long **index** participation unit put options and long an equivalent number of qualifying baskets of **index** securities (Note: Subject to tracking error minimum margin); or
- long **index** participation unit put options and long an equivalent number of **index** participation units;

the minimum capital required shall be the greater of:

- (I) the lesser of:
  - (a) the normal capital required on the qualifying basket (or **participation units**); and
  - (b) the excess of the combined market value of the qualifying basket (or **participation units**) and the **put option** over the **aggregate exercise value** of the **put option**;

and

(II) where applicable, the published [tracking error margin rate](#) for a spread between the [index](#) and the related participation units, multiplied by the market value of the underlying participation units.

(E) Conversion or long tripo combinations

Where a [Dealer Member account](#) contains one of the following option related combinations:

- long a [qualifying basket of index securities](#), long an equivalent number of [index](#) put options and short an equivalent number of [index](#) call options (Note: Subject to incremental margin where qualifying basket is imperfect); or

- long [index](#) participation units, long an equivalent number of [index](#) put options and short an equivalent number of [index](#) call options (Note: Subject to tracking error minimum margin); or

- long a [qualifying basket of index securities](#), long an equivalent number of [index](#) participation unit put options and short an equivalent number of [index](#) participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or

- long [index](#) participation units, long an equivalent number of [index](#) participation unit put options and short an equivalent number of [index](#) participation unit call options;

the minimum capital required shall be the sum of:

(I) where applicable, the calculated incremental margin rate for the [qualifying basket of index securities](#), multiplied by the market value of the qualifying basket.

and

(II) the greater of:

(a) the sum of:

(i) 100% of the market value of the long put options; minus

(ii) 100% of the market value of the short call options; plus

(iii) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the [aggregate exercise value](#) of the long put options or short call options, whichever is lower;

and

(b) where applicable, the published [tracking error margin rate](#) for a spread between the [index](#) and the

related participation units, multiplied by the market value of the underlying participation units.

(F) Reconversion or short tripo combinations

Where a **Dealer Member account** contains one of the following option related combinations:

- short a **qualifying basket of index securities**, short an equivalent number of **index** put options and long an equivalent number of **index** call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- short **index** participation units, short an equivalent number of **index** put options and long an equivalent number of **index** call options (Note: Subject to tracking error minimum margin); or
- short a **qualifying basket of index securities**, short an equivalent number of **index** participation unit put options and long an equivalent number of **index** participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- short **index** participation units, short an equivalent number of **index** participation unit put options and long an equivalent number of **index** participation unit call options;

the minimum capital required shall be the sum of:

- (I) where applicable, the calculated incremental margin rate for the **qualifying basket of index securities**, multiplied by the market value of the qualifying basket;

and

- (II) the greater of:

- (a) the sum of:

- (i) 100% of the market value of the long call options; minus
- (ii) 100% of the market value of the short put options; plus
- (iii) the difference, plus or minus, between the **aggregate exercise value** of the long call options or short put options, whichever is higher and the market value of the qualifying basket (or participation units).

and

- (b) where applicable, the published **tracking error margin rate** for a spread between the **index** and the related participation units, multiplied by the market value of the underlying participation units.

(G) Offsets involving options relating to a commitment to purchase **index** participation units

(I) Short **index** participation unit call options - long qualifying **index** basket - commitment to purchase **index** participation units

Where a Dealer Member holds a long position in a **qualifying basket of index securities** offset by an equivalent number of short **index** participation unit call options, and has a commitment to purchase a new issue of **index** participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the short call options, provided the size of the long qualifying basket does not exceed the size of the Dealer Member's underwriting commitment to purchase **index** participation units, the capital required shall be the normal capital required on the long qualifying basket less the market value of the short call options, but in no event shall the capital required be less than zero.

(II) Long **index** participation unit put options - long qualifying **index** basket - commitment to purchase **index** participation units

Where a Dealer Member holds a long position in a **qualifying basket of index securities** offset by an equivalent number of long **index** participation unit put options, and has a commitment to purchase a new issue of **index** participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the long put options, provided the size of the long qualifying basket does not exceed the size of the Dealer Member's underwriting commitment to purchase **index** participation units, the capital required shall be:

(a) 100% of the market value of the long put options; plus

(b) the lesser of:

(i) the normal capital required on the long qualifying basket, or

(ii) the market value of the qualifying basket less the **aggregate exercise value** of the put options.

A negative value calculated under (b)(ii) may reduce the capital required on the put options, but in no event shall the capital required be less than zero.

**(iii) Index basket combinations with index participation units**

(A) Long qualifying **index** basket offset with short **index** participation units

Where a position in a **qualifying basket of index securities** is carried long in a Dealer Member's account and the account is also short an equivalent

number of **index** participation units, the capital required shall be the sum of the published **tracking error margin rate** plus the calculated **incremental basket margin rate** for the qualifying basket, multiplied by the market value of the participation units.

(B) Short qualifying **index** basket offset with long **index** participation units

Where a position in a **qualifying basket of index securities** is carried short in a Dealer Member's account and the account is also long an equivalent number of **index** participation units, the capital required shall be the sum of:

(I) the **tracking error margin rate**, unless the short basket is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units;

and

(II) the calculated **incremental basket margin rate** for the qualifying basket;

multiplied by the market value of the participation units.

(C) Offsets involving **index** participation units relating to a commitment to purchase **index** participation units

Short **index** participation units – long qualifying **index** basket – commitment to purchase **index** participation units

Where a Dealer Member has a commitment pursuant to an underwriting agreement to purchase a new issue of **index** participation units, and holds an equivalent long position in a **qualifying basket of index securities** and also holds an equivalent number of short **index** participation units, no capital is required, provided the long basket:

(a) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units; and

(b) does not exceed the Dealer Member's underwriting commitment to purchase the participation units.

**(iv) Index futures contract combinations with index baskets and index participation units**

Where a **Dealer Member account** contains one of the following futures related combinations:

- long (or short) a **qualifying basket of index securities** and short (or long) an equivalent number of **index** futures contracts; or

- long (or short) **index** participation units and short (or long) an equivalent number of **index** futures contracts;

the capital required shall be the published **tracking error margin rate** plus the calculated **incremental basket margin rate** for the qualifying basket (not applicable if hedging with participation units), multiplied by the market value of the qualifying basket (or participation units).

**(v) Index option combinations with index futures contracts**

With respect to index options, **index** participation units options and **index** futures contracts held in Dealer Member accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

(A) Short **index** call options or short **index** participation unit call options - long **index** futures contracts

Where a **Dealer Member account** contains one of the following futures and options related combinations:

- short **index** call options and long **index** futures contracts (Note: Subject to tracking error minimum margin); or
- short **index** participation unit call options and long **index** futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be the greater of:

(I)

- (a) the capital otherwise required on the futures contracts; less
- (b) the aggregate market value of the short call options;

and

(II) the published **tracking error margin rate** for a spread between the future and the related **index** or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(B) Short **index** put options or short **index** participation unit put options - short **index** futures contracts

Where a **Dealer Member account** contains one of the following futures and options related combinations:

- short **index** put options and short **index** futures contracts (Note: Subject to tracking error minimum margin); or
- short **index** participation unit put options and short **index** futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be the greater of:

(I)

- (a) the capital otherwise required on the futures contracts, less
- (b) the aggregate market value of the short put options;

and



(II) the published [tracking error margin rate](#) for a spread between the future and the related [index](#) or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(C) Long [index](#) call options or long [index](#) participation unit call options - short [index](#) futures contracts

Where a [Dealer Member account](#) contains one of the following futures and options related combinations:

- long [index](#) call options and short [index](#) futures contracts (Note: Subject to tracking error minimum margin); or
- long [index](#) participation unit call options and short [index](#) futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) [Out-of-the-money](#) position

The [aggregate exercise value](#) of the long call options less the daily settlement value of the short futures contracts, to a maximum of the capital required on un-hedged futures contracts, plus the aggregate market value of the call options;

(II) [In-the-money](#) or at-the-money position

The amount by which the aggregate market value of the call options exceeds the aggregate [in-the-money](#) amount of the call options;

but in no case may the capital required be less than the published [tracking error margin rate](#) for a spread between the future and the related [index](#) or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(D) Long [index](#) put options or long [index participation unit](#) put options - long [index](#) futures contracts

Where a [Dealer Member account](#) contains one of the following futures and options related combinations:

- long [index](#) put options and long [index](#) futures contracts (Note: Subject to tracking error minimum margin); or
- long [index participation unit](#) put options and long [index](#) futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) [Out-of-the-money](#) position

The daily settlement value of the long futures contracts less the [aggregate exercise value](#) of the long put options, to a maximum of the capital required on un-hedged futures contracts, plus the aggregate market value of the put options;

(II) **In-the-money** or at-the-money option position

The amount by which the aggregate market value of the put options exceeds the aggregate **in-the-money** amount of the put options;

but in no case may the capital required be less than the published **tracking error margin rate** for a spread between the future and the related **index** or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(E) Conversion or long tripo combination involving index options or **index** participation unit options and **index** futures contracts

Where a **Dealer Member account** contains one of the following tripo combinations:

- long **index** futures contracts and long an equivalent number of **index** put options and short an equivalent number of **index** call options with the same expiry date (Note: Subject to tracking error minimum margin); or
- long **index** futures contracts and long an equivalent number of **index** participation unit put options and short an equivalent number of **index** participation unit call options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) the difference, plus or minus, between the daily settlement value of the long futures contracts and the **aggregate exercise value** of the long put options or the short call options, whichever is lower, plus

(II) the aggregate net market value of the put and call options;

but in no case may the capital required be less than the published **tracking error margin rate** for a spread between the future and the related **index** or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(F) Reconversion or short tripo combination involving **index options** or **index** participation unit options and **index** futures contracts

Where a **Dealer Member account** contains one of the following tripo combinations:

- short **index** futures contracts and long an equivalent number of **index** call options and short an equivalent number of **index** put options with the same expiry date (Note: Subject to tracking error minimum margin); or
- short **index** futures contracts and long an equivalent number of **index** participation unit call options and short an equivalent number of **index** participation unit put options with

the same expiry date (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) the difference, plus or minus, between the [aggregate exercise value](#) of the long call options or short put options, whichever is higher, and the daily settlement value of the short futures contracts, plus

(II) the aggregate net market value of the call and put options;

but in no case may the capital required be less than the published [tracking error margin rate](#) for a spread between the future and the related [index](#) or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(G) With respect to the offsets enumerated in clauses (A) to (F), partial offsets are not permitted.

**(i) Cross index offset combinations involving index products**

Offsets involving products based on two different indices may be permitted provided:

(i) both indices qualify as an [index](#) as defined in Rule 100.9(a)(xii);

(ii) there is significant performance correlation between the indices; and

(iii) the Corporation has made available a published [tracking error margin rate](#) for cross [index](#) offsets involving the two indices.

Where offsets involving products based on two different indices are permitted the capital requirements set out in Rule 100.10(h) may be used provided that any capital requirement calculated shall be no less than the published [tracking error margin rate](#) for cross [index](#) offsets involving the two indices.

**(j) Capital requirements for positions in and offsets involving OCC options**

For Dealer Member inventory and other firm accounts, the capital charge for positions in and offsets involving OCC options shall be the same as set out in the remainder of Rule 100.10.

**(k) Optional use of SPAN**

With respect to a Dealer Member [firm account](#) constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the capital required may be the one calculated by the Standard Portfolio Analysis (“SPAN”) methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.

If the Dealer Member firm selects the SPAN methodology, the capital requirements calculated under this methodology will supersede the requirements stipulated in Rule 100.

The Corporation may restrict the application of this Rule 100.10(k), if it considers continued use of the SPAN methodology to be inappropriate for Dealer Member capital requirements.

**Over-the-Counter Options**

100.11.

**"Over-the-counter Option"** means an option, other than an option described in Rule 1900.1;<sup>1</sup>

**"Underlying Interest"** means

- (i) In the case of an equity, participation unit or bond option, the security, or
- (ii) In the case of an index option, the index that is the subject of the option.

**(a) Client Accounts**

All purchases of over-the-counter options for client accounts shall be for cash. For the purposes of this Rule 100.11, a client account is an account in which the Dealer Member, a [related company](#) of the Dealer Member or any partner, director, officer or employee of the Dealer Member does not have an interest, direct or indirect, other than an interest in the commission charged.

**(b) Firm Accounts**

(i) The charge to capital for a long call and for a long put where the over-the-counter option's premium is less than \$1.00 shall be the market value of the option.

(ii) The charge to capital for a long call where the over-the-counter option's premium is \$1.00 or more, and which is not used to offset capital required on any other position, shall be the market value of the call, less 50% of the excess of the market value of the [underlying interest](#) over the exercise price of the call.

(iii) The charge to capital for a long put where the over-the-counter option's premium is \$1.00 or more, and which is not used to offset capital required on any other position, shall be the market value of the put, less 50% of the excess of the exercise price of the put over the market value of the [underlying interest](#).

**(c) Short Positions**

Subject to sub-sections (g) and (h), the minimum margin for short positions in over-the-counter options shall be as follows:

(i) In the case of a short [over-the-counter option](#) position, other than a futures contract option position, the minimum margin shall be

(A) 100% of the current premium of the short [over-the-counter option](#),

(B) Plus the product of multiplying the margin rate of the [underlying interest](#) by the market value of the [underlying interest](#);

(C) Less any out-of-the-money amount.

(ii) Notwithstanding paragraph (i), in the case of a short [over-the-counter option](#) position in a client account the minimum margin shall not be less than

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<sup>1</sup> Note: Writing over-the-counter options constitutes distribution of securities for which a prospectus may be required or for which specific or blanket exemptive relief may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so should accordingly ensure that such distribution is in compliance with applicable securities legislation

- (A) 100% of the current premium of the option,
  - (B) Plus 25% of the product of multiplying the margin rate of the **underlying interest** by the market value of the **underlying interest**.
- (d) **Over-the-counter option** positions in inventory or in a client account shall be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.
- (e) Where the Dealer Member is a party to an **over-the-counter option**, the counter-party to the option shall be considered a client of the Dealer Member.
- (f) All opening short transactions in over-the-counter options must be carried in a margin account.
- (g)
  - (i) The following constitute adequate margin for over-the-counter options:
    - (A) A specific deposit of the **underlying interest** in negotiable form in the client's margin account with the Dealer Member, or
    - (B) The deposit with the Dealer Member in an escrow receipt, as defined in subsection (ii), in respect of the **underlying interest**.
  - (ii) Evidence of a deposit of an over-the-counter option's **underlying interest** shall be deemed an **escrow receipt** for the purposes hereof if the **underlying interest** is held pursuant to an escrow agreement by a custodian that is a depository, both of which are acceptable to the Corporation.
  - (iii) The requirements of this subsection apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstance:
    - (A) Where an **over-the-counter option** is written by a client that is not an Acceptable Institution, Acceptable Counter-party or Regulated Entity (as defined in Form 1),
    - (B) Where the terms of the **over-the-counter option** require settlement by physical delivery of the **underlying interest**, and
    - (C) Where a margin rate less than 100% for the **underlying interest** has not been established under the **Rules**.
- (h) **Financial Institutions**
  - (i) No margin is required for **over-the-counter options** entered into by a client that is an Acceptable Institution (as defined in Form 1).
  - (ii) Where the client is an Acceptable Counter-party or Regulated Entity (as defined in Form 1), the required margin shall be the market value deficiency calculated in respect of the option position on an item-by-item basis.
- (i) **Margin Offsets**
  - (i) Except as otherwise provided in this subsection, clients, as defined in subsection (e), and Dealer Members are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in Rules 100.9 and 100.10, provided that the **underlying interest** is the same.

- (ii) In the case of spreads involving European exercise over-the-counter options,
  - (A) A margin offset is permitted where the spread consists of a long and short European exercise option and the contracts have the same expiration date; and
  - (B) A margin offset is permitted where the spread consists of a short European exercise option and long American exercise option; however
  - (C) A margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.
- (j) Consistent with listed options, Dealer Members are permitted to apply the premium credit generated on over-the-counter options against the margin required pursuant to this Rule.

**(k) Margin Agreements**

Dealer Members writing and issuing or [guaranteeing](#) over-the-counter options on behalf of a customer shall have and maintain with each customer a margin agreement in writing defining the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary [over-the-counter option](#) agreements with customers selling such options.

**(l) Confirmation, Delivery and Exercise**

- (i) Every [over-the-counter option](#) shall be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction.
- (ii) Payment for an [over-the-counter option](#), settlement, exercise and delivery shall be made in accordance with the terms of the over-the-counter contract.

**Inventory**

100.12. Notwithstanding Rule 100.2, margin on securities owned or sold short by a Dealer Member shall be provided at the following rates:

**(a) Securities eligible for reduced margin**

25% of the market value if such securities are:

- (i) On the list of securities eligible for reduced margin as approved by a recognized [self-regulatory organization](#) ("securities eligible for reduced margin") and such securities continue to sell at \$2.00 or more;
- (ii) Securities against which options issued by The Options Clearing Corporation are traded;
- (iii) Convertible into securities that qualify under item (i);
- (iv) Non-convertible preferred and senior shares of an issuer any of whose securities qualify under item (i); or
- (v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under item (i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of this Rule 100.12(a), the Board of Directors hereby designates, as recognized self-regulatory organizations, the Canadian Venture Exchange, the Montreal Exchange and the Investment Industry Regulatory Organization of Canada.

**(b) Government-guaranteed securities**

25% of the market value of shares in respect of which the payment of all dividends and the redemption amount or other return of capital to the holder is unconditionally guaranteed by the Government of Canada or of a province of Canada.

**(c) Floating rate preferred shares**

(i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;

(ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:

(A) the sum of:

(I) the effective rate determined in Rule 100.12(c)(i) multiplied by par value; and

(II) the excess of market value over par value;

and

(B) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.21.

(iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

For the purposes of this Rule 100.12(c), the term "**floating rate preferred share**" means a special or preferred share described in paragraphs (i), (ii) and (iii) of Rule 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate.

**(d) Floating rate debt obligations**

50% of the percentage rates of margin otherwise required, except, if margin is otherwise required in respect of excess market value over par, 100% of the rates of margin otherwise required shall apply to the excess market value.

For the purposes of this Rule 100.12(d), the term "**floating rate debt obligation**" means a [debt](#) instrument described in Rule 100.2(a)(i), (ii), (iii), or (vi) or in Rule 100.2(b) by the terms of which the rate of interest is adjusted at least quarterly by reference to interest rate for periods of 90 days or less.

**(e) Bank warrants for government securities**

100% of the margin required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purposes of this Rule 100.12(e), bank warrants for government securities means warrants issued by a Canadian [chartered bank](#) which are listed on any recognized stock exchange or other listing organization referred to in Rule 100.2(f)(i) and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

**(f) Securities Held in Registered Trader's Account**

25% of the market value if such securities:

- (i) Are not securities eligible for reduced margin for which the registered trader has responsibility or has “on-post” trading privileges;
- (ii) Have traded for a value of not less than \$2.00 per share for the previous calendar quarter.

The reduced margin rate is applicable only to a maximum total in all registered trader accounts of a Dealer Member of:

- (i) \$100,000 of market value per security if 90,000 shares or more of the security were traded in the previous calendar quarter on a stock exchange recognized by the Corporation for margin purposes and the National Association of Securities Dealers Automated Quotations System; and
- (ii) \$50,000 of market value per security if less than 90,000 shares of the security were traded in the previous calendar quarter on a stock exchange recognized by the Corporation for margin purposes and the National Association of Securities Dealers Automated Quotations System.

Margin for the excess position of market value on amounts over \$100,000 and \$50,000, respectively, shall be provided at the rate of 50% of market value for such securities. The total reduction in margin which is permitted by this Rule 100.12(f) shall not exceed 50% of the Dealer Member’s net allowable assets.

**(g) Debt and equity security offsets with futures and forwards**

A Dealer Member’s long or short position (including forward commitments) in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in securities (other than bonds and debentures) posted for trading on the Toronto Stock Exchange which is covered by a position on a commodity futures exchange shall be exempt from the capital charges otherwise provided herein. Capital charges based on the applicable rates shall be on the net long or short position (including forward commitments).

**Securities Subject to Redemption Call or Offer**

100.13. Notwithstanding Rule 100.2, no margin is required in respect of:

- (i) Securities which have been called for cash redemption pursuant to the terms and conditions attaching thereto, or
- (ii) Securities for which a legal and binding cash offer to purchase has been made and in respect of which any conditions have been met,

provided that such securities are not carried for an amount in excess of the price offered, and all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the redemption call or offer have been received and verified.

In the event that a cash offer is made for a fraction of the issued and outstanding class of securities, the reduced margin requirements above shall only apply to the same fraction of the position held in a particular account for that class of securities.

**Guarantees**

100.14. No Dealer Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with Rule 16.2(iv)) and margin is provided for by the Dealer Member pursuant to this Rule 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Dealer Member.



The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the [Rules](#)) of any collateral available to the Dealer Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with Rule 16.2(iv), no margin shall be required.

100.15. The margin required in respect of the account of a customer of a Dealer Member which is guaranteed in accordance with this Rule 100.15 may be reduced to the extent that there is excess margin in the accounts of the guarantor held by the Dealer Member calculated on an aggregated or consolidated basis and provided the Dealer Member has received the written consent of the customer to provide the guarantor with the customer's account statement, at least quarterly. Where the customer objects to provide such written consent, the Dealer Member shall notify the guarantor in writing of the customer's objection.

In calculating margin reductions for guaranteed accounts, the following rules shall apply:

- (a) Guarantees in respect of customers' accounts by shareholders, registered representatives or employees of the Dealer Member shall not be accepted, unless paragraph (b) is applicable and has been complied with, or in the case of guarantees by shareholders, there is public ownership of the securities held by the shareholder and the shareholder is not an employee, [registered representative](#), partner, director or officer of the Dealer Member or the holder of a significant equity interest in respect of the Dealer Member or its [holding company](#) within the meaning of Rule 5.4;
- (b) Guarantees in respect of customers' accounts by partners, directors or officers of the Dealer Member shall only be accepted on the following basis:
  - (i) The [self-regulatory organization](#) having prime audit jurisdiction in Canada over the Dealer Member shall expressly approve the guarantee in writing by providing separate written approval and the release of the guarantee shall only be effective upon receipt of the express approval of the [self-regulatory organization](#) given in the same manner;
  - (ii) The guarantor shall not be permitted to transfer cash, securities, contracts or any other property from the accounts of the guarantor in respect of which the margin reduction is based without the prior written approval of the [self-regulatory organization](#) referred to in clause (b)(i);
  - (iii) The provisions of Form 1, Schedule 4, shall apply to the customer's account regardless of the guarantee and, if the account has been restricted and subsequently fully margined, no trading shall occur in the account until the guarantee is released in accordance with clause (b)(i) above;
- (c) Guarantees in respect of accounts of partners, directors, officers, shareholders, registered representatives or employees by customers of the Dealer Member shall not be accepted;
- (d) Paragraphs (a), (b) and (c) do not apply to guarantees by any of the persons referred to therein in respect of accounts of members of the immediate families of such persons nor to guarantees in respect of the accounts of any of the persons referred to therein by members of their immediate families;
- (e) In determining the margin deficiency of the account of any client, a guarantee in respect of the account may be accepted for margin purposes unless and until in connection with the annual audit, the confirmation requirements shall not have been satisfied in accordance with Rule 300.2(a)(vi). If the audit confirmation requirements for an account have not been satisfied, the margin reduction shall not be allowed until a confirmation is received or a new guarantee agreement is signed by the customer;

- (f) A general guarantee in respect of the accounts of a customer, and a guarantee or guarantees from one or more customers in respect of more than one account, will not be accepted unless supported by proper documentation sufficient to establish the identity and liability of each guarantor and the accounts and customers in respect of which each guarantee is given;
- (g) A guarantee in respect of an account of a customer shall only be accepted for margin if it directly guarantees the customer's obligations under such account, and a guarantee in respect of an account of a customer who in turn, directly or indirectly, provides a guarantee in respect of another account shall not be accepted for margin purposes in the latter account;
- (h) No guarantee shall be accepted unless it is by enforceable written agreement, binding upon the guarantor, its successors and assigns and personal legal representatives and containing the following minimum terms:
  - (i) The prompt payment on demand of all present and future liabilities of the customer to the Dealer Member in respect of the identified accounts shall be unconditionally guaranteed on an absolute and continuing basis with the guarantor being jointly and severally liable for the obligations of the customer;
  - (ii) The guarantee may only be terminated upon written notice to the Dealer Member, provided that such termination shall not affect the guarantee of any obligations incurred prior thereto;
  - (iii) The Dealer Member shall not be bound to demand from or to proceed or exhaust its remedies against the customer or any other person, or any security held to secure payment of the obligations, before making demand or proceeding under the guarantee;
  - (iv) The liability of the guarantor shall not be released, discharged, reduced, limited or otherwise affected by (A) any right of set-off, counterclaim, appropriation, application or other demand or right the customer or guarantor may have, (B) any irregularity, defect or informality in any obligation, document or transaction relating to the customer or its accounts, (C) any acts done, omitted, suffered or permitted by the Dealer Member in connection with the customer, its accounts, the guaranteed obligations or any other guarantees or security held in respect thereof including any renewals, extensions, waivers, releases, amendments, compromises or indulgences agreed to by the Dealer Member and including the provision of information by the Dealer Member to the guarantor as permitted in clause (i) of this Rule 100.15, or (D) the death, incapacity, bankruptcy or other fundamental change of or affecting the customer; provided that in the event the guarantor shall be released for any reason from the guarantee it shall remain liable as principal debtor in respect of the guaranteed obligations;
  - (v) The guarantor waives in favour of the Dealer Member any notices as to the terms and conditions applicable to the customer's accounts or agreements or dealings between the Dealer Member and the customer, or relating in any way to the status or condition or transactions or changes in the customers' accounts, agrees that the accounts as settled or stated between the Dealer Member and the customer shall be conclusive as to the amounts owing, and waives any rights of subrogation until all guaranteed obligations are paid in full;
  - (vi) All securities, monies, commodity futures contracts and options, foreign exchange contracts and other property held or carried by the Dealer Member for the guarantor shall be pledged or a security interest granted therein to secure the payment of

the guaranteed obligations, with the full ability of the Dealer Member to deal with such assets at any time, before or after demand under the guarantee, to satisfy such payment;

- (i) The guarantor shall receive from the Dealer Member, at least quarterly, the customer's account statement or statements, in respect of the accounts to which the guarantee relates, provided the guarantor does not object in writing to receiving such information. The Dealer Member shall disclose to the guarantor in writing that the suitability of transactions in the customer's account will not be reviewed in relation to the guarantor.

100.15A. Notwithstanding Rule 100.15, prior to reducing margin as permitted under such Rule, a Dealer Member may hedge:

- (a) Any long securities positions, other than options, commodity futures contracts or foreign exchange contracts, in the account of a guarantor that guarantees an account of a customer of a Dealer Member in accordance with Rule 100.15 against any short securities positions, other than options, commodity futures contracts and foreign exchange contract positions, in that customer account;
- (b) Any long convertible security, including warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to currently acquire underlying securities, held in the account of a guarantor that guarantees a customer account against any short positions in the underlying securities held in that customer account; provided that the convertible securities held in the guarantor's account are readily convertible into the related underlying securities held in that customer's account and the number of underlying securities available on conversion shall be equal to or greater than the number of securities sold short;
- (c) No hedge shall be accepted for the purposes of this Rule 100.15A unless the Dealer Member obtains from the guarantor a written hedge agreement in a form acceptable to the Corporation that:
  - (i) Authorizes the Dealer Member to use any and all securities, other than options, commodity futures contracts or foreign exchange contracts, held in long positions in the guarantor's account to hedge any and all short positions in the guaranteed customer account for the purposes of eliminating the margin required on such securities in the customer account;
  - (ii) Upon the sale of any securities positions that hedges a short position and that creates a margin deficiency in the guaranteed account, the guarantor agrees that the Dealer Member may restrict the guarantor's ability to withdraw any cash or securities from the guarantor's account or otherwise restrict the guarantor's ability to enter into transactions in that account until such deficiency is rectified; and
  - (iii) The guarantor agrees that the terms of the hedge agreement shall remain in effect as long as any hedge positions between the two accounts remain in effect.

100.16. In determining the margin deficiency of the account of any client for the purposes of the [Rules](#), a guarantee in respect of the account shall not be accepted for margin purposes unless and until, in connection with the annual audit of the Dealer Member conducted in accordance with Rule 300, a satisfactory response to a positive confirmation request, if any, shall have been received or any alternative verification procedures have confirmed the guarantee to the satisfaction of the Dealer Member or its auditor.

100.17.

- (a) For the purposes of this Rule 100.17 "**repo**" means an agreement to sell and repurchase securities, "**reverse repo**" means an agreement to purchase and resell securities and

"**securities loan**" means a cash and securities loan agreement where cash is to be paid by or delivered to the Dealer Member as part of the transaction.

- (b) Notwithstanding the requirements of Form 1 to make any provision out of a Dealer Member's capital in respect of a **repo**, **reverse repo** or **securities loan**, where (i) the date of repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction, and (ii) the amount of any compensation, price differential, fee, commission or other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or percentage per annum or any other manner that does not vary until termination), the margin in respect of the obligation of the Dealer Member thereunder shall be determined in accordance with Rule 100.2(a)(i), provided that this paragraph (b) shall not apply in the case of an overnight **repo**, **reverse repo** or **securities loan** which for the purposes of this Rule shall be an obligation to repurchase, resell or terminate the loan within five business days of the date the obligation is assumed. All calculations must be performed daily and shall make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.
- (c) Where a Dealer Member (i) has entered into a **repo**, **reverse repo** or **securities loan** described in paragraph (b) and in respect of which the time to the date of repurchase, resale or termination of the loan, as the case may be, is over one year, and (ii) has an offsetting **reverse repo**, **repo** or **securities loan** denominated in the same currency and within the same margin category based on maturity, the two positions may be offset and the required margin computed with respect to the net position only.
- (d) Where a Dealer Member (i) has entered into a **repo**, **reverse repo** or **securities loan** described in paragraph (b) in respect of which the time to the date of repurchase, resale or termination of the loan is within one year, and (ii) has an offsetting **reverse repo**, **repo** or **securities loan**, as the case may be, denominated in the same currency and maturing within one year, the margin required shall be the difference between the margin on the two positions.

#### **100.18. Instalment Receipts**

- (a) For the purposes of this Rule 100.18
  - (i) "**Instalment Receipts**" means a security issued by or on behalf of an issuer or selling security holder that evidences partial payment for an **underlying security** and that requires one or more subsequent payments by instalment in order to entitle the holder of the instalment receipt to delivery of the **underlying security**;
  - (ii) "**Underlying Security**" means the security of an issuer purchased pursuant to an instalment receipt; and
  - (iii) "**Future Payments**" means the unpaid payment or payments of the purchase price of an **underlying security** pursuant to an instalment receipt.
- (b) No Dealer Member shall purchase or hold an instalment receipt which requires the Dealer Member, or any nominee or holder for the Dealer Member including The Canadian Depository for Securities Limited or other depository (collectively a "nominee"), to make any payment pursuant to an instalment receipt (other than a payment made for the Dealer Member's own account as beneficial owner of the instalment receipt) unless the agreement pursuant to which the **instalment receipts** are created and issued permits the Dealer Member or its nominee to be released from the requirement to make any such

payment either by (A) transfer of such instalment receipt to a person other than the Dealer Member if there is a failure to pay in full any instalment when due, and such transfer can take place at any time prior to the close of business (Toronto time) on the second business day after default in payment of any instalment and prior to the time the issuer's or selling security holder's rights with respect to non-payment of such instalment can be enforced; or (B) such other mechanism as may from time to time be approved by the Executive Committee of the Corporation.

- (c) If there has been a failure to pay any instalment in full when due under an instalment receipt and such instalment receipt is registered in the name of the Dealer Member or its nominee, for the account of the client, such Dealer Member shall forthwith, and in any event, within the time permitted by the relevant agreement pursuant to which the instalment receipts were created and issued take such steps as are necessary for the Dealer Member to be released from the requirement to make any payment thereunder including, if relevant, causing such instalment receipt to be transferred to a person other than the Dealer Member.
- (d) Subject to sub-sections (e) and (f) below, the margin required for an instalment receipt held in inventory or a client account shall be the margin applicable to the underlying security.
- (e) The margin required for instalment receipts in a client account shall not exceed the market value of the instalment receipt.
- (f) Where the future payments exceed the market value of the underlying security the margin required for an instalment receipt held in inventory shall be the margin applicable for the underlying security plus (except in the case of a short position) the amount by which the future payments exceed the market value of the underlying security.

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

##### **(a) Margin for Sales**

###### **(i) Short positions**

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

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

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

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

If a person who is deemed to own a security posted for trading on a when issued basis subsequently sells such security in the regular market and the trade occurs prior to the issuance or distribution of such security, margin shall be calculated on the market value of the securities sold as required by the relevant provisions in

Rule 100.2(f)(i) relating to margin for short positions. Margin shall be posted on the second settlement day after the trade date.

**(b) Purchases of When Issued Securities**

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

**(c) Margin for Dealer Member Sales or Purchases on a When Issued Basis**

Notwithstanding the foregoing, margin for Dealer Member purchases or sales on a when issued basis shall be calculated and posted on a trade date basis.

(d) For the purposes of the [Rules](#), “trading on a when issued basis” or “when issued trades” means purchases or sales of a security to be issued pursuant to:

(i) A prospectus offering where a receipt for a (final) prospectus for the security has been issued but the offering has not closed and settled;

(ii) A proposed plan of arrangement, an amalgamation or a take-over bid prior to the date of issuance of the security pursuant to the amalgamation, arrangement or take-over bid; or

(iii) Any other transaction that is subject to the satisfaction of certain conditions where trading of the security on a when issued basis would not contravene the *Securities Act* (Ontario).

**100.20. Concentration of Securities**

(a) For the purposes of this paragraph:

(i) “**Amount Loaned**” includes:

(A) In respect of long positions:

1. The loan value of long securities and precious metals in margin accounts on settlement date;

2. The loan value of long securities and precious metals in a regular settlement cash account when any portion of the account is outstanding after settlement date;

3. The loan value of long securities and precious metals in a delivery against payment cash account when such securities and precious metals are outstanding after settlement date;

4. The loan value of long inventory positions on trade date; and

5. The loan value of new issues carried in inventory 20 business days after new issue settlement date.

(B) In respect of short positions:

1. The market value of short positions in margin accounts on settlement date;



2. The market value of short positions in a regular settlement cash account when any portion of the account is outstanding after settlement date;
3. The market value of short positions in a delivery against payment cash account when such securities are outstanding after settlement date; and
4. The market value of short inventory securities on trade date.

(ii) **“Security”** includes:

- (A) all long and short positions in equity and convertible securities of an issuer; and
- (B) all long and short positions in **debt** or other securities, other than **debt** securities with a margin requirement of 10% or less.

(iii) **“Precious metal”** includes:

- (A) long positions in certificates evidencing an interest in gold, platinum or silver that are acceptable for margin purposes as defined in Dealer Member Rule 100.2(i)(i); and
- (B) long positions in London Bullion Market Association (LBMA) gold or silver good delivery bars that are acceptable for margin purposes as defined in Dealer Member Rule 100.2(i)(ii).

(iv) **“Risk Adjusted Capital”** means a Dealer Member’s risk adjusted capital as calculated before the securities concentration charge (Statement B, Line 25 on Form 1) plus minimum capital (Statement B, Line 6 of Form 1).

(b) For the purposes of calculating the **amount loaned**:

(i) **Security** positions that qualify for margin offsets pursuant to Rule 100, as applicable, may be netted;

(ii) Separate calculations must be made for long **security** positions and short **security** positions. The greater of the long or short position must be used in the calculations below;

(iii) In calculating the total **amount loaned** for each customer on long (or short) positions on any one **security**, there may be deducted from the loan value (market value) of the long (or short) position:

- (A) Any excess margin in the customer’s account; and
- (B) 25% of the market value of long positions in any non-marginable securities in the account provided such securities are carried in readily saleable quantities only.

(iv) In calculating the **amount loaned** on long positions for a customer, where such customer (the “guarantor” has guaranteed another customer account (the “guaranteed account”), any securities and precious metal in the guarantor’s account which are used to reduce margin required in the guaranteed account in accordance with Rule 100.14, shall be included in calculating the **amount loaned** on each **security** and precious metal for the purposes of the guarantor’s account;

(v) The values of trades made with acceptable institutions, acceptable counterparties and regulated entities that are outstanding 10 business days past settlement date and are:

(A) Not confirmed for clearing through a recognized clearing corporation; or

(B) Not confirmed by the acceptable institution, acceptable counterparty or a regulated entity,

Must be included in the calculation below in the same manner as delivery against payment cash accounts; and

(vi) The value of trades made with a financial institution that is not an acceptable institution, acceptable counterparty or regulated entity, outstanding less than 10 business days past settlement date, may be excluded from the calculation below if each such trade was confirmed on or before settlement date with a settlement agent that is an acceptable institution or acceptable counterparty.

(c)

(i) Subject to subclause (ii) below, where the total amount loaned by a Dealer Member on any one security or precious metal for all customers and/or inventory accounts, as calculated hereunder, exceeds an amount equal to two-thirds of the sum of the Dealer Member's risk adjusted capital, before securities concentration charge and minimum capital, as most recently calculated for more than five business days, an amount equal to 150% of the excess of the amount loaned over two-thirds of the sum of the Dealer Member's risk adjusted capital, before securities concentration charge and minimum capital (Statement B, Line 6 of Form 1), shall be deducted from the risk adjusted capital of the Dealer Member. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the security or precious metal for which the charge is incurred.

(ii) Notwithstanding subclause (i) above, where the loaned security issued by

(A) The Dealer Member, or

(B) A company, where the accounts of a Dealer Member are included in the consolidated financial statements and where the assets and revenues of the Dealer Member constitute more than 50% of the consolidated assets and 50% of the consolidated revenue, respectively, the company, based on the amounts shown in the audited consolidated financial statements of the company and the Dealer Member for the preceding fiscal year,

And the total amount loaned by the Dealer Member on any one such security, as calculated hereunder, exceeds an amount equal to one third of the Dealer Member's risk adjusted capital before securities concentration charge plus minimum capital as most recently calculated for more than five business days, an amount equal to 150% of the excess of the amount loaned over one-third of the sum of the Dealer Member's risk adjusted capital before securities concentration charge and minimum capital shall be deducted from the risk adjusted capital of the Dealer Member.

(d) Where the total amount loaned by a Dealer Member on any one security or precious metal for all customers and/or inventory accounts as calculated hereunder exceeds an



amount equal to one half of the sum of the Dealer Member's **risk adjusted capital** before securities concentration charge and minimum capital as most recently calculated, and the **amount loaned** on any other **security** or precious metal which is being carried by a Dealer Member for all customers and/or inventory accounts as calculated hereunder, exceeds an amount equal to one-half of the sum of the Dealer Member's **risk adjusted capital** before securities concentration charge and minimum capital as most recently calculated for more than five business days, an amount equal to 150% of the excess of the **amount loaned** on the other **security** or precious metal over one-half of the Dealer Member's **risk adjusted capital** shall be deducted from the **risk adjusted capital** of the Dealer Member. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the **security** or precious metal for which the charge is incurred.

- (e) For the purposes of calculating the concentration charges as required by paragraphs (c) and (d) above, such calculations shall be performed for the first five securities and precious metals in which there is a concentration.
- (f) Where the capital charges described in subsections (c) and (d) would result in a capital deficiency or a violation of the rule permitting designation in early warning pursuant to Rule 30, the Dealer Member must report the over-concentration situation to the appropriate Joint Regulatory Bodies on the date the over-concentration first occurs.

#### **100.21. Maximum margin required for Convertible Securities**

The margin required for a security that is currently convertible or exchangeable into another security (the "underlying security") need not exceed the sum of:

- (a) the margin required under this Rule for the underlying security; and
- (b) any excess of the market value of the convertible/exchangeable security over the market value of the underlying security.

