RULE 2200

CASH AND SECURITIES LOAN TRANSACTIONS

2200.1. For the purposes of this Rule 2200:

"**Overnight Cash Loan Agreement**s" means oral or written agreements whereby a Dealer Member deposits cash with another Dealer Member for a period not exceeding two (2) business days.

"**Schedule I Bank**" means a Schedule I bank pursuant to the Bank Act (Canada) that has a capital and reserves position of one billion ($1,000,000,000) or more at the time of the securities loan transaction."

2200.2. Any cash and securities loan agreement, other than an overnight cash loan agreement, shall be in writing and, at minimum, shall provide:

(a) For the rights of either party, in addition to any other remedies provided in the agreement or which a party may have under any applicable law, to retain and realize on the securities delivered to it by the other party in respect of the loan on the occurrence of an event of default in respect of the other party;

(b) For events of default;

(c) For the treatment of the value of securities or collateral held by the non-defaulting party that is in excess of the amount owed by the defaulting party;

(d) Either:

(i) For provisions enabling the parties to set off their debts; or

(ii)

(A) For provisions enabling the parties to effect a secured loan and, in particular, for the continuous segregation by the lender of securities held by it as collateral for the loan; and

(B) If the parties intend to effect a secured loan, where there is available to the lender more than one method of perfecting its security interest in the collateral, the lender must perfect such interest in a manner that provides it with the higher priority in a default situation; and

(e) If the parties intend to rely on set off or effect a secured loan, for the securities borrowed and the securities loaned to be, pursuant to applicable legislation, free and clear of any trading restrictions and duly endorsed for transfer.

2200.3. Failure to fulfil the conditions of Rule 2200.2 will result in:

(a) The cash or market value of the collateral given by the borrower to the lender being deducted from net allowable assets of the borrower; and

(b) The cash or market value of the loan given by the lender to the borrower being deducted from the net allowable assets of the lender.

Except where the counter-party is an acceptable institution in which case no margin need be provided.

2200.4. Buy-ins (liquidating transactions) must be commenced within two (2) business days of the date notice for the buy-in is given.

2200.5. All cash and securities loan transactions shall be properly recorded in the books and records of the Dealer Member in compliance with Rule 200.

2200.6. Where a cash and securities loan transaction is between regulated entities, the following rules apply:

(a) The written agreement required by Rule 2200.2 shall also contain an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the borrowed securities at any time;

(b) Letters of credit issued by Schedule I Banks may be used as collateral; and

(c) Except where the cash and securities loan transaction is processed through an acceptable clearing corporation, confirmations and month-end statements shall be issued.

2200.7. Where the cash or securities loan transaction is between a Dealer Member and an acceptable institution or an acceptable counter-party, the following rules apply:

(a) Confirmations and month-end statements shall be issued; and

(b) Letters of credit issued by Schedule I Banks may be used as collateral.

2200.8. Where a Dealer Member enters into a cash and securities loan transaction with a party other than one to which Rule 2200.6 or 2200.7, the following rules apply:

(a) Marking to Market. Borrowed securities and collateral must be marked to market daily on a one-for-one basis.

(b) Loan Accounts. Loan accounts must be maintained separate from the securities trading accounts maintained by the Dealer Member.

(c) Collateral

(A) Securities pledged as collateral must be held by the Dealer Member on a fully segregated basis or must be held by an acceptable depository or a bank or trust company qualifying as either an acceptable institution or an acceptable counter-party pursuant to an escrow agreement, acceptable to the Corporation between the Dealer Member and the depository, institution or counter-party;

(B) Subject to clause (C), securities pledged as collateral must have a margin rate of 5 percent or less; and

(C) Preferred shares or debt securities convertible (in either case) into the common shares of the class which have been borrowed may be pledged against common stock of the issuer.

(d) Non-Compliance. Failure to fulfill the conditions of Rules 2200.8(b) or (c)(A) will result in a charge to net allowable assets of the Dealer Member as provided in Rule 100 for short securities balances in the accounts of customers.

(e) Confirmations and Month-end Statements. Confirmations and month-end statements shall be issued and, where the other party to a transaction is a retail client of the Dealer Member, such loan of securities shall be recorded in an account separate from the retail client's trading accounts.

2200.9. In a cash or securities loan transaction between an acceptable institution, acceptable counter-party, or a regulated entity, where a letter of credit issued by a Schedule I Bank is used as collateral for the cash or securities loan transaction pursuant to Rules 2200.6(b) or 2200.7(b), there shall be no charge to the Dealer Members capital for any excess of the value of the letter of credit pledged as collateral over the market value of the securities borrowed.