

IIROC NOTICE

Rules Notice Guidance Note

Dealer Member Rules

Please distribute internally to:

Credit
Institutional
Internal Audit
Legal and Compliance
Operations
Regulatory Accounting
Senior Management

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Acceptable Institutions and Acceptable Counterparties Database

The purpose of the Domestic and Foreign Acceptable Institutions (AI) and Acceptable Counterparties (AC) database is to assist all Dealer Members in the coding of customer accounts that qualify as an AI or AC as defined in the General Notes and Definitions to the Joint Regulatory Financial Questionnaire and Report (Form #1).

The AI/AC database is managed and updated yearly in the month of September. The “List of Recognized Exchanges and Associations” and the “List of Basle Accord Countries” are updated on an ongoing basis. Dealer Members are responsible for counterparty risk and must take immediate action for counterparties that have been downgraded on the list from prior year to ensure proper account coding for margin calculations, custody arrangements and financial reporting as of October 1, 2009.

This AI/AC database is not intended to be exhaustive. Dealer Members that enter into counterparty arrangements with entities not listed on the AI/AC database are not prohibited



from doing so. Instead, the Dealer Member is required to maintain supporting records to substantiate the net worth of any entity, based on latest audited financial information, the AI or AC classification for regulatory purposes. This information is required to be made available to IIROC examiners and/or the external auditors of the Dealer Member immediately upon inspection.

IIROC takes no responsibility for the omission or errors in the financial information used to compile the AI/AC list that is obtained from reliable third party sources disclosed in the reference sources of the database. Dealer Members are advised that it is their responsibility to monitor counterparty transaction risk and concentration and take immediate remedial action on any publicly reported information that may adversely affect the financial circumstances of any entity coded as an AI/AC on their books and records. Dealer Members should also refer to IIROC Notice 09-171, on guidance on credit risk management.

AI/AC Database

As part of the continued development of the IIROC Dealer Member Rules and related regulatory resources on Knotia, the AI/AC database is available as a web based application and can be downloaded or printed on-line at <http://aiac.iiroc.ca/>.

The following features are available to Dealer Members accessing the AI/AC internet database:

- Quick on-line searches of an entities' current record of net worth and AI/AC categorization
- 5 year record history of published AI/AC listings
- 9 different types of reports that can be viewed printed or exported to excel. They include:
 - AI/AC by Name
 - AI/AC by Category
 - Counterparties upgraded to AI
 - Counterparties downgraded to AC List
 - Counterparties added to AI/AC List
 - Counterparties Removed from AI/AC List
 - List of Recognized Exchanges and Associations
 - List of "Basle Accord Countries"
 - Reference Sources