

IIROC NOTICE

Rules Notice

Technical

Dealer Member Rules

Please distribute internally to:

Credit
Internal Audit
Legal and Compliance
Operations
Regulatory Accounting
Retail
Senior Management
Trading Desk

Contact:

Mindy Kwok

Information Analyst, Member Regulation Policy

416 943-6979

mkwok@iiroc.ca

Bruce Grossman

Senior Information Analyst, Member Regulation Policy

416 943-5782

bgrossman@iiroc.ca

10-0285

November 2, 2010

Foreign Exchange (FX) Margin Surcharge

OVERVIEW:

This list is published when a Group 1, 2, or 3 currency's spot risk margin rate is increased, because the volatility of the currency exceeds the volatility threshold that is set out in Dealer Member Rule 100.2(d)(v)(B)(a). In addition, the list is also published when the increased spot risk margin rate for the currency is reduced, because a minimum of 30 trading days has passed since the currency's spot risk margin rate increase and the currency's volatility no longer exceeds the volatility threshold.

Excess volatility in a currency is measured and tracked as an "offside day". An offside day is triggered when the percentage change in the exchange rate of the currency over five-day intervals, through a period of 60 trading days, exceeds the margin rate for the currency group. When the number of offside base days during the period reaches 4, a margin surcharge is applied.



A Dealer Member must use the spot risk margin rates listed in the attached Margin Summary Violation Report, the Foreign Currency Group list, and Dealer Member Rule 100.2(d) in margining unhedged foreign exchange customer and Dealer Member (inventory) positions and any other customer and Dealer Member transactions that result in an exposure to foreign exchange risk.

MARGIN VIOLATION SUMMARY REPORT:

Attached is the foreign exchange (FX) [Margin Violation Summary Report](#) prepared as at October 29, 2010 listing all currencies presently in Groups 1-3.

Based on the volatility of the Canadian dollar exchange rates, effective November 5, 2010, the following spot risk margin rate(s) apply until further notice.

- **Euro versus Canadian Dollar from 4.20% to 3.00%**
- **Japanese Yen versus Canadian Dollar from 4.90% to 4.00%**
- **Sweden Krone versus Canadian Dollar from 3.80% to 3.30%**
- **United Kingdom Pound versus Canadian Dollar from 3.80% to 3.00%**
- **U.S. Dollar versus Canadian Dollar from 3.30% to 2.80%**

Based on the volatility of the U.S. dollar exchange rates, effective November 5, 2010, the following spot risk margin rate(s) apply until further notice:

- **Australian Dollar versus U.S. Dollar from 4.70% to 3.00%**
- **Euro versus U.S. Dollar from 3.70% to 3.50%**
- **New Zealand Dollar versus U.S. Dollar from 3.60% to 3.00%**
- **Norway Krone versus U.S. Dollar from 3.70% to 3.50%**
- **Sweden Krone versus U.S. Dollar from 4.20% to 3.80%**
- **Canadian Dollar versus U.S. Dollar from 3.30% to 2.80%**

This summary report replaces the previous list provided in IIROC Rules Notice 10-0226, issued on August 24, 2010.