IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières

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

11-0247
August 19, 2011

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 August 18, 2011 listing all currencies presently in Groups 1-3.

Based on the volatility of the U.S. dollar exchange rates, effective August 24, 2011, the following spot risk margin rate(s) apply until further notice:

- **New Zealand Dollar versus U.S. Dollar from 3.00% to 3.60%**

This summary report replaces the previous list provided in IIROC Rules Notice 11-0244, issued on August 15, 2011.