

IIROC NOTICE

Rules Notice Exemptions

Dealer Member Rules

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Contact:

Answerd Ramcharan
Manager, Financial Information, Member Regulation Policy
416-943-5850
aramcharan@iiroc.ca

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Exemptions Relating to the Offset of Swap Positions

On June 27, 2018, IIROC's Board of Directors (the **Board**) granted exemptions to three Dealer Members from Dealer Member Rules (**DMRs**) [100.4F\(a\)](#) *Interest Rate Swap versus Interest Rate Swap Offset* and [100.4F\(d\)](#) *Total Performance Swap versus Total Performance Swap Offset* (the **Rules**) relating to Dealer Member inventory margin for the offset of certain swap positions.

This Notice summarizes the exemptions granted and the conditions imposed on the Dealer Members.

1. Authority to grant exemptions

DMR [17.15](#) permits the Board to exempt a Dealer Member from any provision of the DMRs where it is satisfied that to do so would not be prejudicial to the interests of Dealer Members, their clients or the public. In granting any exemption, the Board may impose such terms and conditions as are considered necessary.



2. The applicants and nature of the exemption applications

Three Dealer Members (the **applicants**) sought relief from the requirement in the Rules that offsetting swap contract notional amounts are to be the same in order to net swap positions for margin purposes. One of the applicants sought additional exemptive relief from the requirement in the Rules that offsetting swap contracts are to be denominated in Canadian or U.S. dollars. In this case, the applicant is offsetting swap contracts denominated in Euros.

For each applicant, the relief sought relates to swap contracts entered into with affiliates and is supported by a legally enforceable netting agreement.

The Board determined that the exemptions granted would not be prejudicial to Dealer Members, their clients or the public.

3. Conditions to the exemptions

Each exemption is void upon the earlier of:

- the implementation of proposed amendments to the Rules concerning partial swap offsets or the decision not proceed with such proposed amendments
- IIROC determining that partial swap offsets on interest rate swaps or total performance swaps is no longer an effective risk mitigation strategy for regulatory margin purposes
- five years following the approval of the exemption.

Under the terms of the relief granted, the Board reserves the right to revoke an exemption at any time upon notice to the applicable Dealer Member. Future amendments to our requirements or provincial or territorial securities laws relating to swap offset positions may void the exemptions. In addition, each exemption is based on the representations and undertakings made in each Dealer Member's application and should these representations and undertakings change in the future, the Dealer Member will need to confirm that the exemption remains applicable.