

IIROC NOTICE

Rules Notice Technical

Dealer Member Rules

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Contact:

Bruce Grossman
Senior Information Analyst, Member Regulation
Policy
416-943-5782
bgrossman@iiroc.ca

19-0207
December 6, 2019

List of Securities Eligible for Reduced Margin (LSERM) and Operational Update

LSERM quarter ended September 30, 2019

Enclosed as [Attachment #1](#), is a copy of the LSERM, which has been prepared using data available for the quarter ended September 30, 2019. This list must be used to identify securities eligible for reduced margin as set out in Dealer Member Rules 100.2(f)(vi) and 100.12(a)(i) of the IIROC Rule Book.

A separate section of this list details those Canada/United States inter-listed securities that have qualified for inclusion on the LSERM solely because they have options issued by the Options Clearing Corporation (“OCC”) traded against them. IIROC compiles this section of the LSERM on a best efforts basis. Consequently, Dealer Members are reminded that separate from this list, securities against which options issued by the OCC are traded, are eligible for reduced margin as set out in Dealer Member Rules 100.2(f)(vi) and 100.12(a)(ii).

Dealer Members are reminded that for securities that are convertible or exchangeable into securities on the LSERM, margin should be calculated according to Dealer Member Rule 100.21 Maximum margin required for Convertible Securities, which simply adds the conversion loss, if any, to the reduced margin rate.

This list supersedes the most recently issued LSERM, effective January 2, 2020 [which is fifteen business days following the issuance date of this Notice].



LSERM Modernization

We have recently undertaken a project to modernize the processes and procedures used to produce the LSERM. We have taken steps to automate functions where possible, and, as part of this process, we are reviewing many aspects of LSERM including how we source the underlying data that we use to determine eligibility.

Enhancing the quality of volume data and updating liquidity measure thresholds

We are in the process of enhancing the quality and breadth of the data inputs we use to determine eligibility. We are taking steps to leverage our in-house data, such as consolidated volume data feeds, to ensure that our eligibility determinations are capturing all relevant data.

For the production of future lists, our plan is to both enhance our data feeds and to update the LSERM liquidity measure thresholds regarding public float and average daily trade volume to reflect better the current Canadian market. Our objective remains to ensure that a reduced margin rate is only granted to those securities that demonstrate both sufficiently high liquidity and low price volatility.

For the purposes of the current list, we have not made changes to either our existing data feeds or eligibility criteria. For reference, we provide a summary of the current eligibility criteria on the last page of [Attachment #1](#).

Special Purpose Acquisition Corporations (SPACs)

SPACs are not margin eligible. In the course of our review, we determined that securities classified as [SPACs](#) have not been accurately identified and filtered-out from the list. We have taken steps to identify SPACs to ensure that they do not appear on LSERM.