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## **Investment Dealers Association Releases Policy No. 5: A Code of Conduct for Dealing in Domestic Debt Markets**

On 25 September 1998 the Ontario Securities Commission approved IDA Policy No. 5, a Code of Conduct for IDA member firms trading in secondary domestic debt markets. The Code of Conduct draws together existing rules and regulations in the IDA Rulebook which relate to dealings with customers and counterparties, and also to market conduct. The Policy also describes the surveillance and enforcement procedures in respect of the rules contained in Policy No. 5. In some cases, the Policy amplifies on these existing regulations; in other instances, it expands their application. An important objective of the Policy is to enhance the awareness and understanding among industry professionals of the rules related to the trading and distribution of domestic debt securities.

The Code of Conduct makes it clear to investors that IDA member firms, which play a key role in the market-making and distribution of government debt, are subject to comprehensive rules of market conduct and that compliance with these rules will be monitored and enforced. This gives assurance to investors that integrity and fair play in domestic debt markets will prevail, even in circumstances where structural imbalances may occur from time to time reflecting declining securities issuance and the predominance of large players.

Domestic financial institutions including banks, insurance companies, money managers, pension funds and mutual funds, are also active participants in domestic debt markets. Steps are being taken to make these institutions aware of the IDA Policy No. 5 and to encourage these market participants to adopt and enforce similar rules.

The implementation of IDA Policy No. 5 complements initiatives which have already been taken by the Bank of Canada and the federal Department of Finance to reinforce the integrity of Government of Canada securities markets. The Bank of Canada and Department of Finance have revised the bidding rules and Bank of Canada surveillance procedures for the auctions of Government of Canada securities. In addition, there are new *Terms of Participation* which describe the terms and conditions under which government securities distributors and clients can participate in Government of Canada auctions. The purpose of these new auction rules and surveillance procedures, and the terms and conditions for auction participation, is to strengthen the integrity of the auction process and encourage broad participation in the auctions of

Government of Canada treasury bills and bonds.

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