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For distribution to relevant parties within your firm

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By-Laws and Regulations Settlement of Short-Term Debt Instruments

On May 9, 2003, the IDA issued Bulletin #3150. This bulletin outlined changes dealing with the settlement conventions for short-term debt instruments. The objective of the proposed change was to facilitate client trades selling one short-term debt instrument and buying another short-term debt instrument and to facilitate hedging strategies in short-term debt instruments. This was to be accomplished by changing the settlement date for trades in short-term mortgage-backed securities, corporate, municipal and provincial bonds to be the same as that for Canadian Bonds with a remaining term to maturity of three years or less. The change was to be implemented for trades with a trade date of November 3, 2003.

In order to give firms adequate time to complete systems changes and to provide clarification of the matters raised by Members, Bulletin # 3199 was issued on October 16, 2003 delaying the implementation to Monday, December 1, 2003.

Due to the complexity of several of the issues raised by Members with respect to embedded options and convertible debentures, we believe that Regulation 800 needs to be further modified prior to implementation

We will be preparing appropriate modifications to the by-law for approval by the IDA Board. Consequently, the implementation of this change has been delayed indefinitely.

Kenneth A. Nason
Association Secretary