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BULLETIN #3669
September 12, 2007

By-Laws and Regulations

Equity Margin Project - Phase 1 of rule amendment implementation

The Board of Directors of the Association has approved amendments to Regulations 100.2(a)(v), 100.2(a)(xi), 100.2(f) and 100.12, regarding the margining of equity and related securities. Clean and black-line copies of the amendments are enclosed as Attachment #1. The amendments are effective September 17, 2007.

Present rule and the Phase 1 amendments

When a margin rate for a security is established, it is intended that it is sufficient to cover the risk of loss associated with the security, specifically market risk. The existing methodology for determining a listed equity security's margin rate is based on its market price per share.

Studies undertaken by Association staff, indicate that market price per share is not an accurate indicator of a listed equity security's market risk. While determining margin rates on this basis may be operationally easy to apply, its use has resulted in margin deposits and "strategy-based" margin rules that do not reflect the true economic risk of positions in and offsets involving equity securities.

To address these issues, a new approach to determining listed equity security margin rates has been adopted. This new approach, referred to as the "basic margin rate" methodology, is essentially a methodology for determining a customized margin rate for each listed equity security. The objective of this methodology is to determine an overall margin rate for each equity security that will more accurately address its market risk. This methodology will replace the existing market price per share based rates as the standard margin rate methodology to be used by all Members and their customers for all Canadian and U.S. listed equity securities.

In order to implement this new methodology, the relevant rule amendments are being implemented in two phases. ***In this first phase, Phase 1, all amendments other than the amendments that will implement the new "basic margin rate" methodology are being implemented.*** Specifically, amendments are being made to:

- Regulation 100.2(a)(v) to:

1. Conform the margin requirements for convertible debt instruments with the margin requirements that would apply to an equivalent position in the underlying security; and
 2. Limit the margin requirements for convertible residual debt instruments.
- Regulation 100.2(a)(xi) for minor housekeeping purposes
 - Regulation 100.2(f) to:
 1. Deny margin eligibility to all listed securities “whose listing requirements do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements”;
 2. Permit margin eligibility for a larger group of securities listed on foreign exchanges outside of Canada and the United States (beyond those securities listed on the “Tokyo Stock Exchange First Section” and on the “stock list of the London Stock Exchange”); and
 3. Make clarification changes throughout.
 - Regulation 100.12 to:
 1. Conform the margin requirements for floating preferred shares to the margin that would apply to an equivalent position in the related junior security issuance; and
 2. Make simplifying changes throughout the remainder of Regulation 100.12.

The most significant of these amendments is the amendments Regulation 100.2(f) which will grant margin eligibility to a larger group of securities listed on foreign exchanges outside of Canada and the United States [new Reg. 100.2(f)(ii)]. Specifically, loan value will now be extended to securities listed on foreign exchanges using a 50% margin rate provided:

- (A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as “recognized exchanges and associations” for the purposes of determining “regulated entities”; and
- (B) the security is a constituent security on the exchange’s major broadly based index.

Please refer to Member Regulation Notice MR0491 for further interpretive details of these new margin requirements.

Kenneth A. Nason
Association Secretary

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AMENDMENTS TO REGULATION 100.2(a)(v)

- (v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Member's name maturing:
- | | |
|--------------------------|-------------------------|
| within 1 year | 3% of market value (*) |
| over 1 year to 3 years | 6% of market value (*) |
| over 3 years to 7 years | 7% of market value (*) |
| over 7 years to 11 years | 10% of market value (*) |
| over 11 years | 10% of market value (*) |
- (1) If convertible and selling over par, the margin required shall be the lesser of:
- (a) the sum of:
 - (i) the above rates multiplied by par value; and
 - (ii) the excess of market value over par value;
 - and
 - (b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.
- (2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.
- (3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin requirement shall be 50% of market value.
- (4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.
- (5) If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:
- (a) the greater of:
 - (i) the margin requirement for a convertible debt instrument calculated pursuant to this Regulation 100.2(a)(v); and
 - (ii) the margin requirement for a residual debt instrument (zero coupon) instrument calculated pursuant to Regulation 100.2(a)(xi);
 - and;
 - (b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21
- (6) Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Regulation 100.2(a)(vi) then the margin requirements in such Regulation shall apply.

CLEAN COPY OF AMENDMENTS**AMENDMENTS TO REGULATION 100.2(a)(xi)****(xi) Stripped coupons and the residual debt instruments:**

The percentage of market value which is

(A) for instruments with a term to maturity of less than 20 years, 1.5 times

(B) for instruments with a term to maturity of 20 years or more, 3 times

the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates, provided that in determining the term to maturity of a coupon or other evidence of interest the payment date for such interest shall be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities shall be determined in accordance with paragraph (5) of Regulation 100.2(a)(v).

AMENDMENTS TO REGULATION 100.2(f)**(f) Stocks****(i) Listed on an exchange in Canada or the United States**

For positions in securities listed (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States:

Long Positions - Margin Required

Securities selling at \$2.00 or more - 50% of market value

Securities selling at \$1.75 to \$1.99 - 60% of market value

Securities selling at \$1.50 to \$1.74 - 80% of market value

Securities selling under \$1.50 may not be carried on margin.

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time, may not be carried on margin.

Short Positions - Credit Required

Securities selling at \$2.00 or more - 150% of market value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 - 200% of market value

Securities selling at less than \$0.25 - market value plus \$0.25 per share

(ii) Index constituent securities listed on certain other exchanges

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of the market value provided:

(A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as “recognized exchanges and associations” for the purposes of determining “regulated entities”; and

(B) the security is a constituent security on the exchange’s major broadly based index.

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(iii) **Warrants issued by a Canadian chartered bank**

For positions in warrants issued by a Canadian chartered bank which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Regulation 100.12(e) applies) the margin shall be the greater of:

- (A) the margin otherwise required by this Regulation according to the market value of the warrant; or
- (B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

(iv) **Unlisted securities eligible for margin**

Subject to the existence of an ascertainable market among brokers or dealers the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks:

- (A) Securities of insurance companies licensed to do business in Canada;
- (B) Securities of Canadian banks;
- (C) Securities of Canadian trust companies;
- (D) Other senior securities of listed companies;
- (E) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;
- (F) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;
- (G) All securities listed on The Nasdaq Stock MarketSM (Nasdaq National Market[®] and The Nasdaq SmallCap MarketSM).

(v) **Other unlisted stocks**

For positions in all other unlisted stocks not mentioned above:

Long positions - margin required

100% of market value

Short positions - credit required

Securities selling at \$0.50 or more - 200% of market value

Securities selling at less than \$0.50 - market value plus \$0.50 per share

(vi) **Securities eligible for reduced margin**

On securities which are described in clauses (i), (ii), (iii) and (iv) of Regulation 100.12(a) (securities eligible for reduced margin), margin shall be 30% of market value.

(vii) **Index participation units and qualifying baskets of index securities**

- (A) For index participation units:

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- (I) In the case of a long position, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;
 - (II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;
- (B) For a qualifying basket of index securities:
- (I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;
 - (II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

For the purposes of this subparagraph, the definitions in Regulation 100.9(c)(x), Regulation 100.9(c)(xii), Regulation 100.9(c)(xx) and Regulation 100.9(c)(xxiv) apply.

AMENDMENTS TO REGULATION 100.12

Inventory

100.12. Notwithstanding Regulation 100.2, margin on securities owned or sold short by a Member shall be provided at the following rates:

(a) **Securities eligible for reduced margin**

25% of the market value if such securities are:

- (i) On the list of securities eligible for reduced margin as approved by a recognized self-regulatory organization ("securities eligible for reduced margin") and such securities continue to sell at \$2.00 or more;
- (ii) Securities against which options issued by The Options Clearing Corporation are traded;
- (iii) Convertible into securities that qualify under item (i);
- (iv) Non-convertible preferred and senior shares of an issuer any of whose securities qualify under item (i); or
- (v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under item (i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of this Regulation 100.12(a), the Board of Directors hereby designates, as recognized self-regulatory organizations, the Canadian Venture Exchange, the Montreal Exchange and the Investment Dealers Association of Canada.

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(b) **Government-guaranteed securities**

25% of the market value of shares in respect of which the payment of all dividends and the redemption amount or other return of capital to the holder is unconditionally guaranteed by the Government of Canada or of a province of Canada.

(c) **Floating rate preferred shares**

- (i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;
- (ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:
 - (A) the sum of:
 - (I) the effective rate determined in Regulation 100.12(c)(i) multiplied by par value; and
 - (II) the excess of market value over par value;
 - and
 - (B) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.
- (iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

For the purposes of this Regulation 100.12(c), the term "floating rate preferred share" means a special or preferred share described in paragraphs (i), (ii) and (iii) of Regulation 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate.

(d) **Floating rate debt obligations**

50% of the percentage rates of margin otherwise required, except, if margin is otherwise required in respect of excess market value over par, 100% of the rates of margin otherwise required shall apply to the excess market value.

For the purposes of this Regulation 100.12(d), the term "floating rate debt obligation" means a debt instrument described in Regulation 100.2(a)(i), (ii), (iii), or (vi) or in Regulation 100.2(b) by the terms of which the rate of interest is adjusted at least quarterly by reference to interest rate for periods of 90 days or less.

(e) **Bank warrants for government securities**

100% of the margin required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purposes of this Regulation 100.12(e), bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to in Regulation 100.2(f)(i) and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

(f) **Securities Held in Registered Trader's Account**

25% of the market value if such securities:

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- (i) Are not securities eligible for reduced margin for which the registered trader has responsibility or has “on-post” trading privileges;
- (ii) Have traded for a value of not less than \$2.00 per share for the previous calendar quarter.

The reduced margin rate is applicable only to a maximum total in all registered trader accounts of a Member of:

- (i) \$100,000 of market value per security if 90,000 shares or more of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System; and
- (ii) \$50,000 of market value per security if less than 90,000 shares of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System.

Margin for the excess position of market value on amounts over \$100,000 and \$50,000, respectively, shall be provided at the rate of 50% of market value for such securities. The total reduction in margin which is permitted by this Regulation 100.12(f) shall not exceed 50% of the Member’s net allowable assets.

(g) **Debt and equity security offsets with futures and forwards**

A Member’s long or short position (including forward commitments) in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in securities (other than bonds and debentures) posted for trading on the Toronto Stock Exchange which is covered by a position on a commodity futures exchange shall be exempt from the capital charges otherwise provided herein. Capital charges based on the applicable rates shall be on the net long or short position (including forward commitments).

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AMENDMENTS TO REGULATION 100.2(a)(v)

- (v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Member's name maturing:

| | |
|--------------------------|-------------------------|
| within 1 year | 3% of market value (*) |
| over 1 year to 3 years | 6% of market value (*) |
| over 3 years to 7 years | 7% of market value (*) |
| over 7 years to 11 years | 10% of market value (*) |
| over 11 years | 10% of market value (*) |

- (1) If convertible and selling over par, the margin required shall be the lesser of:

- (a) the sum of:

- (i) the above rates multiplied by par value; and
(ii) the excess of market value over par value;

and

- (b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.

- (2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.

- (3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin requirement shall be 50% of market value.

- (4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.

- (5) If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:

- (a) the greater of:

- (i) the margin requirement for a convertible debt instrument calculated pursuant to this Regulation 100.2(a)(v); and
(ii) the margin requirement for a residual debt instrument (zero coupon) instrument calculated pursuant to Regulation 100.2(a)(xi);

and;

- (b) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21(6) Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Regulation 100.2(a)(vi) then the margin requirements in such Regulation shall apply.

AMENDMENTS TO REGULATION 100.2(a)(xi)

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(xi) **Stripped coupons and the residual debt instruments:**

The percentage of market value which is

- (A) for instruments with a term to maturity of less than 20 years, 1.5 times
- (B) for instruments with a term to maturity of 20 years or more, 3 times

the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates, provided that in determining the term to maturity of a coupon or other evidence of interest the payment date for such interest shall be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities shall be determined in accordance with paragraph (5) of Regulation 100.2(a)(v).

AMENDMENTS TO REGULATION 100.2(f)

(f) **Stocks**(i) **Listed on an exchange in Canada or the United States**

For positions in securities listed (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States:

Long Positions - Margin Required

Securities selling at \$2.00 or more - 50% of market value

Securities selling at \$1.75 to \$1.99 - 60% of market value

Securities selling at \$1.50 to \$1.74 - 80% of market value

Securities selling under \$1.50, ~~securities of companies designated as Capital Pool Companies on the TSX Venture Exchange and securities of companies classified as Tier 3 or Inactive Tier 2 issuers on the TSX Venture Exchange~~ may not be carried on margin.

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Association from time to time, may not be carried on margin.

Short Positions - Credit Required

Securities selling at \$2.00 or more - 150% of market value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 - 200% of market value

Securities selling at less than \$0.25 - market value plus \$0.25 per share

(ii) **Index constituent securities listed on certain other exchanges**

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of the market value provided:

- (A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as “recognized exchanges and associations” for the purposes of determining “regulated entities”; and

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- (B) the security is a constituent security on the exchange's major broadly based index.
- (iii) **Warrants issued by a Canadian chartered bank**
- For positions in warrants issued by a Canadian chartered bank which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Regulation 100.12(e) applies) the margin shall be the greater of:
- (A) the margin otherwise required by this Regulation according to the market value of the warrant; or
- (B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.
- (iv) **Unlisted securities eligible for margin**
- Subject to the existence of an ascertainable market among brokers or dealers the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks:
- (A) Securities of insurance companies licensed to do business in Canada;
- (B) Securities of Canadian banks;
- (C) Securities of Canadian trust companies;
- (D) Other senior securities of listed companies;
- (E) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;
- (F) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;
- ~~(G) All securities listed on The Nasdaq Stock MarketSM (Nasdaq National Market[@] and The Nasdaq SmallCap MarketSM).~~
- (v) **Other unlisted stocks**
- For positions in all other unlisted stocks not mentioned above:**Long positions - margin required**100% of market value
- Short positions - credit required**Securities selling at \$0.50 or more - 200% of market value
Securities selling at less than \$0.50 - market value plus \$0.50 per share
- (vi) **Securities eligible for reduced margin**
- On securities which are described in clauses (i), (ii), (iii) and (iv) of Regulation 100.12(a) (securities eligible for reduced margin), margin shall be 30% of market value.
- ~~(G) For a basket of TSE 100 Index securities, the floating margin rate percentage (calculated for a perfect basket of TSE 100 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of TSE 100 Index securities, multiplied by the market value of the basket of TSE 100 Index securities, in the case of a long position;~~

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- ~~(H) For a basket of TSE 100 Index securities, 100% plus the floating margin rate percentage (calculated for a perfect basket of TSE 100 Index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of TSE 100 Index securities, multiplied by the market value of the basket of TSE 100 Index securities, in the case of a short position;~~
- (vii) Index participation units and qualifying baskets of index securities**
- (A) For index participation units:**
- (I) In the case of a long position, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;**
- (II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;**
- (B) For a qualifying basket of index securities:**
- (I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;**
- (II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;**
- For the purposes of this subparagraph, the definitions in Regulation 100.9(c)(x), Regulation 100.9(c)(xii), Regulation 100.9(c)(xx) and Regulation 100.9(c)(xxiv) apply.**

AMENDMENTS TO REGULATION 100.12

Inventory

100.12. Notwithstanding Regulation 100.2, margin on securities owned or sold short by a Member shall be provided at the following rates:

(a) Securities eligible for reduced margin

25% of the market value if such securities are:

- (i) On the list of securities eligible for reduced margin as approved by a recognized self-regulatory organization ("securities eligible for reduced margin") and such securities continue to sell at \$2.00 or more;
- (ii) Securities against which options issued by The Options Clearing Corporation are traded;
- (iii) Convertible into securities that qualify under item (i);
- (iv) Non-convertible preferred and senior shares of an issuer any of whose securities qualify under item (i); or

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- (v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under item (i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of this Regulation 100.12(a), the Board of Directors hereby designates, as recognized self-regulatory organizations, the Canadian Venture Exchange, the Montreal Exchange and the Investment Dealers Association of Canada.

- (b) **Government-guaranteed securities** 25% of the market value of shares in respect of which the payment of all dividends and the redemption amount or other return of capital to the holder is unconditionally guaranteed by the Government of Canada or of a province of Canada.

- (c) **Floating rate preferred shares**

- (i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;
- (ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:
 - (A) the sum of:
 - (I) the effective rate determined in Regulation 100.12(c)(i) multiplied by par value; and
 - (II) the excess of market value over par value;
 - and
 - (B) the maximum margin requirement for a convertible security calculated pursuant to Regulation 100.21.
- (iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

For the purposes of this Regulation 100.12(c), the term "floating rate preferred share" means a special or preferred share described in paragraphs (i), (ii) and (iii) of Regulation 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate.

- (d) **Floating rate debt obligations**

50% of the percentage rates of margin otherwise required, except, if margin is otherwise required in respect of excess market value over par, 100% of the rates of margin otherwise required shall apply to the excess market value.

For the purposes of this Regulation 100.12(d), the term "floating rate debt obligation" means a debt instrument described in Regulation 100.2(a)(i), (ii), (iii), or (vi) or in Regulation 100.2(b) by the terms of which the rate of interest is adjusted at least quarterly by reference to interest rate for periods of 90 days or less.

- (e) **Bank warrants for government securities**

100% of the margin required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

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For the purposes of this Regulation 100.12(e), bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to in Regulation 100.2(f)(i) and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

(f) **Securities Held in Registered Trader's Account**

25% of the market value if such securities:

- (i) Are not securities eligible for reduced margin for which the registered trader has responsibility or has "on-post" trading privileges;
- (ii) Have traded for a value of not less than \$2.00 per share for the previous calendar quarter.

The reduced margin rate is applicable only to a maximum total in all registered trader accounts of a Member of:

- (i) \$100,000 of market value per security if 90,000 shares or more of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System; and
- (ii) \$50,000 of market value per security if less than 90,000 shares of the security were traded in the previous calendar quarter on a stock exchange recognized by the Association for margin purposes and the National Association of Securities Dealers Automated Quotations System.

Margin for the excess position of market value on amounts over \$100,000 and \$50,000, respectively, shall be provided at the rate of 50% of market value for such securities. The total reduction in margin which is permitted by this Regulation 100.12(f) shall not exceed 50% of the Member's net allowable assets.

~~Toronto~~(g) **Debt and equity security offsets with futures and forwards**A Member's long or short position (including forward commitments) in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in securities (other than bonds and debentures) posted for trading on the Toronto Stock Exchange which is covered by a position on a commodity futures exchange shall be exempt from the capital charges otherwise provided herein. Capital charges based on the applicable rates shall be on the net long or short position (including forward commitments).