



notice

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Acceptable Structures for Long Condor Spread and Short Iron Condor Spread

This Notice has been prepared to provide further guidance on the margin requirements and potential structure for two recently recognized complex option spreads: the Long Condor Spread and the Short Iron Condor Spread.

Overview and Interpretation

The Long Condor Spread and the Short Iron Condor Spread were recognized as new complex option offset strategies by the IDA, effective August 13, 2007. As defined in Regulations 100.9(f)(ix), (xi) and 100.10(f)(ix), (xi) –, each of these spreads represents a position in four separate option series wherein, among other things, the interval between the strike prices is equal. We have determined that in order to meet this qualification it is only necessary that the interval between the 1st and 2nd strike prices be equal to the interval between the 3rd and 4th strike prices. In other words, the strike price intervals for the constituent spreads comprising the complex option spread must be equal, but the interval between the short options does not have to be equal. Examples of these acceptable structures are provided below in Table 1.

This interpretation is in keeping with our intention to require minimum capital and margin that properly reflects the risk relating to these strategies, and is also in accordance with recent interpretations made by U.S. regulators, such as the CBOE, as indicated in Regulatory Circular RG07-43 (<http://www.cboe.org/publish/RegCir/RG07-043.pdf>).

Table 1: Examples of acceptable structures for the Long Condor Spread and Short Iron Condor Spread.

Strategy	Acceptable Structure (all strike intervals are equal)	Acceptable Structure (1 st and 2 nd strike interval is equal to 3 rd and 4 th strike interval)
Long Condor Spread	Long Call (Put) Feb 50	Long Call (Put) Feb 50

Strategy	Acceptable Structure (all strike intervals are equal)	Acceptable Structure (1st and 2nd strike interval is equal to 3rd and 4th strike interval)
	Short Call (Put) Feb 55 Short Call (Put) Feb 60 Long Call (Put) Feb 65	Short Call (Put) Feb 55 Short Call (Put) Feb 65 Long Call (Put) Feb 70
Short Iron Condor Spread	Long Put Feb 50 Short Put Feb 55 Short Call Feb 60 Long Call Feb 65	Long Put Feb 50 Short Put Feb 55 Short Call Feb 65 Long Call Feb 70