

**RULE 1200**  
**CLIENTS' FREE CREDIT BALANCES**

- 1200.1. For the purposes of this Rule 1200, "free credit balances" shall mean:
- (a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of (i) the market value of short positions, and (ii) margin as required pursuant to the [Rules](#) on those short positions; and
  - (b) For commodity accounts - the credit balance less an amount equal to the aggregate of (i) margin required to carry open futures contracts and/or futures contract option positions, (ii) less any equity in such contracts, (iii) plus any deficits in such contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.
- 1200.2. Each Dealer Member which does not keep its clients' [free credit balances](#) segregated in trust for clients in an account with an acceptable institution separate from the other monies from time to time received by such Dealer Member shall legibly make a notation on all statements of account sent to its clients in substantially the following form:
- Any [free credit balances](#) represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business.
- 1200.3. No Dealer Member shall use in the conduct of its business clients' [free credit balances](#) in excess of the greater of the following amounts:
- (a) General free credit limit:  
Twelve times the early warning reserve amount of the Dealer Member; or
  - (b) Margin lending adjusted free credit limit:  
Twenty times the early warning reserve amount of the Dealer Member for margin lending purposes plus twelve times the remaining early warning reserve amount for all other purposes, where the remaining early warning reserve amount equals the early warning reserve amount minus 1/20th of the total settlement date client margin debit amount.
- Each Dealer Member shall hold an amount at least equal to the amount of clients' [free credit balances](#) in excess of the foregoing either:
- (c) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or
  - (d) segregated and separate and apart from the Dealer Member's property in Canadian bank paper with an original maturity of one year or less and bonds, debentures, treasury bills and other securities with a maturity of one year or less of or guaranteed by the Government of Canada, a province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basel Accord and that the securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively).
- 1200.4. Dealer Members shall determine at least weekly, but more frequently if required, the amounts required to be segregated in accordance with Rule 1200.3.

- 1200.5. Dealer Members shall review on a daily basis compliance with Rule 1200.3 against the latest determination under this Rule 1200 of amounts to be segregated with a view to identifying and correcting any deficiency in amounts of [free credit balances](#) to be segregated.
- 1200.6. In the event that a deficiency exists in amounts of [free credit balances](#) required to be segregated by a Dealer Member, the Dealer Member must correct the segregation deficiency within 5 business days following the determination of the deficiency.