

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO DEALER MEMBER RULES AND FORM 1 REGARDING THE SECURITIES CONCENTRATION TEST AND
DESIGNATED RATING ORGANIZATIONS

BLACK-LINE COPY OF THE AMENDMENTS TO THE IIROC RULES

Amendment #1 – Subsection 1201(2) of the IIROC Rules:

“1201. Definitions...

(2) The following terms have the meanings set out when used in the *IIROC requirements*: ...

<u>“designated rating organization”</u>	<u>The same meaning as set out in Form 1, General Notes and Definitions.”</u>
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Amendment #2 – Subsection 4384(2) of the IIROC Rules:

“4384. Calculating usable free credit balances ...

- (2) A Dealer Member must segregate clients’ free credit balances in excess of the amount calculated in subsection 4384(1) either:
- (i) in cash held in trust for clients in a separate account with an *acceptable institution*, and this trust property must be clearly identified as such at the *acceptable institution* or
 - (ii) 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, or any other national foreign government that is on the List of Basel Accord Countries (provided such other foreign government securities are currently rated Aaa or AAA by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, respectively)~~ the following securities:

<u>Securities eligible for client free credit segregation purposes</u>		
<u>Category</u>	<u>Minimum designated rating organization current credit rating</u>	<u>Qualification(s)</u>
<u>1. Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following:</u>	<u>Not applicable (N/A)</u>	<u>Not applicable (N/A)</u>

	<ul style="list-style-type: none"> <u>national governments of Canada, United Kingdom, and United States</u> <u>Canadian provincial governments</u> 		
2.	<u>Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by any other national foreign government not identified in category 1</u>	<u>AAA</u>	<u>Foreign government must be a member of the Basel Accord</u>
3.	<u>Canadian bank paper with an original maturity of 1 year or less</u>	<u>R-1(low), F1, P-1, A-1(low)</u>	<u>No designated rating organization has a lower current credit rating</u> <u>Must be issued by a Canadian chartered bank</u> <u>Securities issued by a provider of capital as defined in Form 1, Schedule 14, are not eligible</u>

Amendment #3 – Clause 5130(3) of the IIROC Rules:

“5130. Definitions...

(3) For positions in and offsets involving *debt securities* and related instruments, the term: . . .

“low current credit rating”	For a Canadian issuer, A current credit rating of “B” or lower by DBRS; and for U.S. pay securities, a current credit rating of “B” or lower by Moody’s or S & P Corporation. <u>a designated rating organization.”</u>
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Amendment #4 – Subsections 5210(1) and (2) of the IIROC Rules:

“5210. Government issued or guaranteed bonds, debentures, treasury bills, notes and certain other non-commercial securities not in default

Appendix B

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for Government issued or guaranteed bonds, debentures, treasury bills, notes and certain other non-commercial securities not in default are as follows:

Term to maturity or redemption	Minimum margin required as a percentage of market value		
	Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating	Category (ii) Canadian provincial government, and obligations of the International Bank for Reconstruction and Development	Category (iii) Canadian and United Kingdom municipal corporations
Less than 1 year	1.00% x number of <u>days to maturity</u> 365	2.00% x number of <u>days to maturity</u> 365	3.00% x number of <u>days to maturity</u> 365
Greater than or equal to 1 year and less than 3 years	1.00%	3.00%	5.00%
Greater than or equal to 3 years and less than 7 years	2.00%	4.00%	
Greater than or equal to 7 years and less than 11 years	4.00%	5.00%	
Greater than or equal to 11 years			

- (2) In subsection 5210(1) category (i), a country with a “high current credit rating” is a country that is currently rated ~~Aaa by Moody’s or AAA by S & P Corporation~~ designated rating organization.”

Amendment #5 – Subsections 5211(1) and (2) of the IIROC Rules:

“5211. Government residual debt and stripped coupons not in default

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for the Government residual debt and stripped coupons not in default are as follows:

Term to maturity or redemption	Minimum margin required as a percentage of market value		
	Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating	Category (ii) Canadian provincial government, and obligations of the International Bank for Reconstruction and Development	Category (iii) Canadian and United Kingdom municipal corporations
Less than 1 year	1.50% x number of <u>days to maturity</u> 365	3.00% x number of <u>days to maturity</u> 365	4.50% x number of <u>days to maturity</u> 365
Greater than or equal to 1 year and less than 3 years	1.50%	4.50%	7.50%
Greater than or equal to 3	3.00%	6.00%	

years and less than 7 years			
Greater than or equal to 7 years and less than 11 years	6.00%	7.50%	
Greater than or equal to 11 years and less than 20 years			
Greater than or equal to 20 years	12.00%	15.00%	15.00%

- (2) In subsection 5211(1) category (i), a country with a “high current credit rating” is a country that is currently rated ~~Aaa by Moody’s or AAA by S & P Corporation~~ a designated rating organization.”

Amendment #6 – Subsections 5614(1) and 5614(2) of the IIROC Rules:

“5614. Government debt securities of different issuers with same maturity band

- (1) Where a *Dealer Member* or a client has one of the following long government *debt security* position and short government *debt security* position pairings:

	Long (short) position		Short (long) position
(i)	<i>Canada debt securities</i>	and	<i>Canada Provincial debt securities</i>
(ii)	<i>Canada debt securities</i>	and	highly rated <i>Canada Municipal debt securities</i> <u>with a high issuer credit rating</u>
(iii)	<i>Canada Provincial debt securities</i>	and	highly rated <i>Canada Municipal debt securities</i> <u>with a high issuer credit rating</u>

and the positions have the same currency denomination and *market value* and are within the same *maturity band*, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.

- (2) In subsection 5614(1) “~~highly rated~~ *Canada Municipal debt securities* with a high issuer credit rating” are ~~Canada Municipal~~ *debt securities* ~~currently rated~~ issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by DBRS, Moody’s or S&P Corporation a designated rating organization.”

Amendment #7 – Subsections 5618(1) and 5618(2) of the IIROC Rules:

“5618. Other offsets involving government debt securities and Government of Canada notional bond futures contracts

- (1) Where a *Dealer Member* or a client has one of the following long (short) government *debt security* position and short (long) Government of Canada notional bond *futures contract* position pairings:

Long (short) position	Short (long) position
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|-------|--|-----|---|
| (i) | <i>Canada debt securities in different maturity band</i> | and | Government of Canada notional bond futures contract |
| (ii) | <i>Canada Provincial debt securities in same or different maturity band</i> | and | Government of Canada notional bond futures contract |
| (iii) | highly rated <i>Canada Municipal debt securities</i> <u>with a high issuer credit rating</u> <i>in same maturity band</i> | and | Government of Canada notional bond futures contract |

and the positions have the same currency denomination and *market value*, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.

- (2) In subsection 5618(1) “~~highly rated~~ *Canada Municipal debt securities* with a high issuer credit rating” are ~~Canada Municipal debt securities currently rated~~ issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by DBRS, Moody’s or S&P Corporation a designated rating organization.”

Amendment #8 – Subsection 5621(2) of the IIROC Rules:

“5621. Commercial and corporate debt securities of same issuer with same maturity band . . .

- (2) In subsection 5621(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by ~~DBRS, Moody’s or S & P Corporation~~ a designated rating organization.”

Amendment #9 – Subsection 5622(2) of the IIROC Rules:

“5622. Offsets involving Canadian chartered bank acceptances and Canadian bankers acceptance futures contracts with same maturity bands . . .

- (2) In subsection 5622(1) “highly rated *chartered bank acceptances*” are bank acceptances currently rated “A” or higher by ~~DBRS, Moody’s or S & P Corporation~~ a designated rating organization.”

Amendment #10 – Subsection 5623(2) of the IIROC Rules:

“5623. Offsets involving commercial and corporate debt securities and strip coupons or residuals . . .

- (2) In subsection 5623(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by ~~DBRS, Moody’s or S & P Corporation~~ a designated rating organization.”

Amendment #11 – Subsection 5624(2) of the IIROC Rules:

“5624. Offsets involving commercial and corporate debt securities and Government of Canada notional bond futures contracts

- (2) In subsection 5624(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by ~~DBRS, Moody’s or S & P Corporation~~ a designated rating organization.”

Amendment #12 – Subsection 5631(2) of the IIROC Rules:

“5631. Government and commercial corporate debt securities with same maturity band . . .

- (2) In subsection 5631(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by ~~DBRS, Moody’s or S & P Corporation~~ a designated rating organization.”

Amendments to Form 1 – Refer to Appendix A.