



INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

**HOUSEKEEPING AMENDMENTS TO FORM 1 FOR USE IN, AND CONSISTENCY, WITH THE PLAIN LANGUAGE DEALER MEMBER RULES
RULE BOOK**

BLACK-LINE COMPARISON OF HOUSEKEEPING AMENDMENTS TO CURRENT FORM 1

1. Current Form 1 is amended as shown by the following black-line changes:

APPENDIX B

IIROC Notice 19-0180– Notice of Approval/Implementation – Dealer Member Rules – Housekeeping amendments to Form 1 for use in, and consistency, with the Plain Language Dealer Member Rules Rule Book

FORM 1 - CERTIFICATE OF UDP AND CFO

(Dealer Member Name)

We have examined the attached statements and schedules and certify that, to the best of our knowledge, they present fairly the financial position and capital of the *Dealer Member* at _____ and the results of operations for the period then ended, and are in agreement with the books of the *Dealer Member*.

We certify that the following information is true and correct to the best of our knowledge for the period from the last audit to the date of the attached statements which have been prepared in accordance with the current requirements of ~~the Corporation~~ IIROC:

ANSWER

1. Does the *Dealer Member* have adequate *internal controls* in accordance with the rules? _____
2. Does the *Dealer Member* maintain adequate books and *records* in accordance with the rules? _____
3. Does the *Dealer Member* monitor on a regular basis its adherence to early warning requirements in accordance with the rules? _____
4. Does the *Dealer Member* carry insurance of the type and in the amount required by the rules? _____
5. Does the *Dealer Member* determine on a regular basis its free credit segregation amount and act promptly to segregate assets as appropriate in accordance with the rules? _____
6. Does the *Dealer Member* promptly segregate clients' securities in accordance with the rules? _____
7. Does the *Dealer Member* follow the minimum required policies and procedures relating to security counts? _____
8. Have all "concentrations of securities" been identified on Schedule 9? _____

Do the attached statements fully disclose all assets and liabilities including the following:

9. Participation in any underwriting or other agreement subject to future demands? _____
10. Outstanding puts, calls or other *options*? _____
11. All future purchase and sales commitments? _____
12. Writs issued against the *Dealer Member* or partners or any other litigation pending? _____
13. Income tax arrears? _____
14. Other contingent liabilities, *guarantees*, accommodation endorsements or commitments affecting the financial position of the *Dealer Member*? _____

(*Ultimate Designated Person*)

(date)

(*Chief Financial Officer*)

(date)

(other *Executive*, if applicable)

(date)

[See notes and instructions]

~~Feb-2011~~ Jun-2020

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FORM 1 - CERTIFICATE OF UDP AND CFO
NOTES AND INSTRUCTIONS

1. Details must be given for any “no” answers.
2. To be signed by:
 - (a) *Ultimate Designated Person* (UDP);
 - (b) *Chief ~~financial officer~~ Financial Officer* (CFO); and
 - (c) at least one other ~~executive~~ Executive if the UDP and CFO are the same person.
3. A copy of the certificate with original signatures must be provided to both ~~the Corporation~~ IIROC and *CIPF*.

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FORM 1 – INDEPENDENT AUDITOR'S REPORTS
NOTES AND INSTRUCTIONS

A measure of uniformity in the form of the auditor's reports is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their reports should take the form of the auditor's reports shown above.

Any limitations in the scope of the audit must be discussed in advance with the Investment Industry Regulatory Organization of Canada. Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with the Investment Industry Regulatory Organization of Canada.

One copy of the auditor's reports with original signatures must be provided to the Investment Industry Regulatory Organization of Canada and another copy with original signatures must be provided to *CIPF*.

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IIROC Notice 19-0180 – Notice of Approval/Implementation – Dealer Member Rules – Housekeeping amendments to Form 1 for use in, and consistency, with the Plain Language Dealer Member Rules Rule Book

FORM 1, PART I – STATEMENT A

(Dealer Member Name)

STATEMENT OF FINANCIAL POSITION

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
LIQUID ASSETS:			
1.	Cash on deposit with <i>acceptable institutions</i>		
2.	Funds deposited in trust for RRSP and other similar accounts		
3. Stmt. D	Cash, held in trust with <i>acceptable institutions</i> , due to free credit ratio calculation		
4.	Variable base deposits and margin deposits with <i>acceptable clearing corporations</i> [cash balances only]		
5.	Margin deposits with <i>regulated entities</i> [cash balances only]		
6. Sch.1	Loans receivable, securities borrowed and resold		
7. Sch.2	Securities owned - at <i>market value</i>		
8. Sch.2	Securities owned and segregated due to free credit ratio calculation		
9. Sch.4	Client accounts		
10. Sch.5	Brokers and dealers trading balances		
11.	Receivable from <i>carrying broker</i> or mutual fund		
12.	TOTAL LIQUID ASSETS		
OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):			
13. Sch.6	Current income tax assets		
14.	Recoverable and overpaid taxes		
15.	Commissions and fees receivable		
16.	Interest and dividends receivable		
17.	Other receivables [provide details]		
18.	TOTAL OTHER ALLOWABLE ASSETS		
NON ALLOWABLE ASSETS:			
19.	Other deposits with <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]		
20.	Deposits and other balances with non- <i>acceptable clearing corporations</i> [cash or <i>market value</i> of securities lodged]		
21.	Commissions and fees receivable		
22.	Interest and dividends receivable		
23.	Deferred tax assets		
24.	Intangible assets		
25.	Property, plant and equipment		
26.	Investments in <i>subsidiaries</i> and <i>affiliates</i>		
27.	Advances to <i>subsidiaries</i> and <i>affiliates</i>		
28.	Other assets [provide details]		
29.	TOTAL NON-ALLOWABLE ASSETS		
30.	Finance lease assets		
31.	TOTAL ASSETS		

[See notes and instructions]

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FORM 1, PART I – STATEMENT A [Continued]

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
CURRENT LIABILITIES:			
51. Sch.7	Overdrafts, loans, securities loaned and repurchases		
52. Sch.2	Securities sold short - at <i>market value</i>		
53. Sch.4	Client accounts		
54. Sch.5	Brokers and dealers		
55.	Provisions		
56. Sch.6	Current income tax liabilities		
57.	Bonuses payable		
58.	Accounts payable and accrued expenses		
59.	Finance leases and lease-related liabilities		
60.	Other current liabilities [provide details]		
61.	TOTAL CURRENT LIABILITIES		
NON-CURRENT LIABILITIES:			
62.	Provisions		
63.	Deferred tax liabilities		
64.	Finance leases and lease-related liabilities		
65.	Non-refundable leasehold inducements		
66.	Other non-current liabilities [provide details]		
67.	Subordinated loans		
68.	TOTAL NON-CURRENT LIABILITIES		
69.	TOTAL LIABILITIES [Line 61 plus Line 68]		
CAPITAL AND RESERVES:			
70. Stmt. F	Issued capital		
71. Stmt. F	Reserves		
72. Stmt. F	Retained earnings or undivided profits		
73.	TOTAL CAPITAL		
74.	TOTAL LIABILITIES AND CAPITAL		

[See notes and instructions]

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FORM 1, PART I – STATEMENT A
NOTES AND INSTRUCTIONS

Accrual basis of accounting

Dealer Members are required to use the accrual basis of accounting.

Line 2 - The trustee for RRSP or other similar accounts must qualify as an *acceptable institution*. Such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then the *Dealer Member* must report 100% of the balance held in trust as non-allowable assets on Line 28 (Non-allowable assets – other assets).

RRSP and other similar balances held at such trustee, but for which CDIC or the AMF insurance is not available, such as foreign currency accounts, can be classified as allowable assets.

The name of the RRSP trustee used by the *Dealer Member* must also be provided on Schedule 4.

Line 4 - For definition of “*acceptable clearing ~~corporations~~ corporation*”, see General Notes and Definitions.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

Line 5 - For definition of “*regulated ~~entities~~ entity*”, see General Notes and Definitions.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

Line 11 - For an *introducing broker* (pursuant to an approved introducing/carrying broker agreement), unsecured balances receivable from its *carrying broker*, such as gross commissions and deposits in the form of cash, should be reported on this line.

Unsecured balances should only be included to the extent they are not being used by the *carrying broker* to reduce client margin requirements.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 11 of Schedule 2.

In the case of the salesperson’s portion of gross commissions and fees receivable, as recorded on Line 21 (Commissions and fees receivable), to the extent that there is written documentation that the broker does not have a liability to pay the salesperson’s commission until it is received, the salesperson’s portion of the gross commission receivable is an allowable asset.

Line 13 - Include only overpayment of prior years’ income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid.

Line 14 - Include the recoverable portion of capital tax, Part VI tax, property taxes and any federal or provincial sales taxes.

Include only to extent receivable from *acceptable institutions* (for definition, see General Notes and Definitions).

Line 18 - Allowable assets are those assets which due to their nature, location or source are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

Include only to extent receivable from *acceptable institutions* (for definition see General Notes and Definitions).

Line 19 - Report the cash and *market value* of securities lodged with *acceptable clearing corporations* that represent fixed base deposits.

Line 20 - To the extent receivable from other than *acceptable clearing corporations*, include all deposits whether margin deposits or variable and fixed base deposits.

Line 21 - To the extent receivable from parties other than *acceptable institutions*.

Line 22 - To the extent receivable from parties other than *acceptable institutions*.

Line 24 - Start-up and organizational costs cannot be capitalized. Examples of intangible assets include goodwill and client lists.

Line 26 - Investments in *subsidiaries* and *affiliates* must be valued at cost.

Line 27 - A *Dealer Member* must report non-trading inter-company receivables on a gross basis unless the criteria for netting are met.

Line 28 - Including but not limited to such items as:

- prepaid expenses
- other receivables from other than *acceptable institutions*

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FORM 1, PART I – STATEMENT A
NOTES AND INSTRUCTIONS [Continued]

- cash surrender value of life insurance
- advances to *employees* (gross)
- cash on deposit with non *acceptable institutions*

Line 29 - Non-allowable assets mean those assets that do not qualify as allowable assets.

Line 30 - Assets arising from a finance lease (also known as a capitalized lease).

Line 55 - Recognize a liability to cover specific expenditures relating to legal and constructive obligations.

A *Dealer Member* cannot hold provisions as a general reserve to be applied against some other unrelated expenditure.

Line 57 - Include discretionary bonuses payable and bonuses payable to shareholders in accordance with share ownership.

Line 59 - Include current portion of deferred lease inducements.

Line 60 - Include unclaimed dividends and interest.

Line 65 - In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the *Dealer Member* (i.e. if the *Dealer Member* does not “owe” the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the *Dealer Member*), the non-current portion can be reported as an adjustment to *risk adjusted capital* (RAC) on Statement B.

Line 67 - Subordinated loans mean approved loans, pursuant to an agreement in writing in a form satisfactory to ~~the Corporation~~ IROC, obtained from a *chartered bank* or any other lending institution, *industry investor* approved as such by ~~the Corporation~~ IROC, or non-*industry investor* subject to ~~the Corporation~~ IROC's approval, the payment of which is deferred in favor of other creditors and is subject to regulatory approval.

A *Dealer Member* must not pay a debt owed to any of its creditors contrary to any subordination or other agreement to which it and ~~the Corporation~~ IROC are parties.

Line 71 - Reserve is an amount set aside for future use, expense, loss or claim – in accordance with statute or regulation. It includes an amount appropriated from retained earnings – in accordance with statute or regulation. It also includes accumulated other comprehensive income (OCI).

Line 72 - Retained earnings represent the accumulated balance of income less losses arising from the operation of the business, after taking into account dividends and other direct charges or credits.

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FORM 1, PART I – STATEMENT B

(Dealer Member Name)

STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000	(PREVIOUS YEAR) C\$'000
1. A-73	Total Capital	_____	_____
2.	Add: Non-refundable leasehold inducements	_____	_____
3. A-67	Add: Subordinated loans	_____	_____
4.	REGULATORY FINANCIAL STATEMENT CAPITAL	_____	_____
5. A-29	Deduct: Total Non allowable assets	_____	_____
6.	NET ALLOWABLE ASSETS	_____	_____
7.	Deduct: Minimum capital	_____	_____
8.	SUBTOTAL	_____	_____
Deduct - Margin required:			
9. Sch.1	Loans receivable, securities borrowed and resold	_____	_____
10. Sch.2	Securities owned and sold short	_____	_____
11. Sch.2A	Underwriting concentration	_____	_____
12. Sch.4	Client accounts	_____	_____
13. Sch.5	Brokers and dealers	_____	_____
14. Sch.7	Loans and repurchases	_____	_____
15.	Contingent liabilities [provide details]	_____	_____
16. Sch.10	Financial institution bond deductible [greatest under any clause]	_____	_____
17. Sch.11	Unhedged foreign currencies	_____	_____
18. Sch.12	<i>Futures contracts</i>	_____	_____
19. Sch.14	Provider of capital concentration charge	_____	_____
20.	Securities held at non-acceptable securities locations	_____	_____
21. Sch.7A	<i>Acceptable counterparties</i> financing activities concentration charge	_____	_____
22.	Unresolved differences [provide details]	_____	_____
23.	Other [provide details]	_____	_____
24.	TOTAL MARGIN REQUIRED [Lines 9 to 23]	_____	_____
25.	SUBTOTAL [Line 8 less Line 24]	_____	_____
26. Sch.6A	Add: Applicable tax recoveries	_____	_____
27.	<i>Risk Adjusted Capital</i> before securities concentration charge [Line 25 plus Line 26]	_____	_____
28. Sch.9	Deduct: Securities concentration charge of _____	_____	_____
Sch.6A	less tax recoveries of _____	_____	_____
29.	RISK ADJUSTED CAPITAL [Line 27 less Line 28]	_____	_____

[See notes and instructions]

~~Mar-2019~~ Jun-2020

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FORM 1, PART I – STATEMENT B
NOTES AND INSTRUCTIONS

Capital adequacy

A DEALER MEMBER MUST HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.

Netting for margin calculation

When applying ~~Corporation~~ IIROC margin rules, a *Dealer Member* can net allowable assets and liabilities as well as security positions. Except where there is a prescribed IFRS departure, netting is for regulatory margin purposes only (and not for presentation purposes).

Line 2 – Non- current liability - non-refundable lease hold inducements

In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the *Dealer Member* (i.e. the *Dealer Member* does not “owe” the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the *Dealer Member*), the non-current portion of the lease liability for leasehold inducements can be reported as an adjustment to *risk adjusted capital*.

Line 7 – Minimum Capital

“Minimum capital” is \$250,000 except for a Type 1 *introducing broker*. For a Type 1 *introducing broker*, the minimum capital is \$75,000.

Line 15 – Contingent liabilities

No *Dealer Member* may give, directly or indirectly, by means of a loan, *guarantee*, the provision of security or of a covenant or otherwise, any financial assistance to an *individual* and/or corporation unless the amount of the loan, *guarantee*, provision of security or of the covenant or any other assistance is limited to a fixed or determinable amount and the amount is provided for in computing *Risk Adjusted Capital*.

The margin required shall be the amount of the loan, *guarantee*, etc. less the loan value of any accessible collateral, calculated in accordance with ~~Corporation~~ IIROC rules.

A *guarantee* of payment is not acceptable collateral to reduce margin required.

The *Dealer Member* should maintain and retain the details of the margin calculations for contingencies, such as *guarantees* or returned cheques, for ~~Corporation~~ IIROC review.

Line 20 – Securities held at non-acceptable securities locations

Capital Requirements

In general, the capital requirements for securities held in custody at another entity are as follows:

- (i) Where the entity qualifies as an *acceptable securities location*, there shall be no capital requirement, provided there are no unresolved differences between the amounts reported on the books of the entity acting as custodian and the amounts reported on the books of the *Dealer Member*. The capital requirements for unresolved differences are discussed separately in the notes and instructions for the completion of Statement B, Line 22 below.
- (ii) Where the entity does not qualify as an *acceptable securities location*, the entity shall be considered a non-*acceptable securities location* and the *Dealer Member* shall be required to deduct 100% of the *market value* of the securities held in custody with the entity in the calculation of its *Risk Adjusted Capital*.

However, there is one exception to the above general requirements. Where the entity would otherwise qualify as an *acceptable securities location* except for the fact that the *Dealer Member* has not entered into a written custodial agreement with the entity, as required by ~~Corporation~~ IIROC rules, the capital requirement shall be determined as follows:

- (a) Where setoff risk with the entity is present, the *Dealer Member* shall be required to deduct the lesser of:

- (I) 100% of the setoff risk exposure to the entity; and
- (II) 100% of the *market value* of the securities held in custody with the entity;

in the calculation of its *Risk Adjusted Capital*;

and;

- (b) The *Dealer Member* shall be required to deduct 10% of the *market value* of the securities held in custody with the entity in the calculation of its *Early Warning Reserve*.

The sum of the requirements calculated in paragraphs (a) and (b) above shall be no greater than 100% of the *market value* of the securities held in custody with the entity. Where the sum amounts initially calculated in paragraphs (a) and (b) above are greater than

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FORM 1, PART I – STATEMENT B
NOTES AND INSTRUCTIONS [Continued]

100%, the capital required under paragraph (b) and the amount reported as a deduction in the calculation of the *Early Warning Reserve* shall be reduced accordingly.

For the purposes of determining the capital requirement detailed in paragraph (a) above, the term “setoff risk” shall mean the risk exposure that results from the situation where the *Dealer Member* has other transactions, balances or positions with the entity, where the resultant obligations of the *Dealer Member* might be setoff against the value of the securities held in custody with the entity.

Client Waiver

Where the laws and circumstances prevailing in a foreign jurisdiction may restrict the transfer of securities from the jurisdiction and the *Dealer Member* is unable to arrange for the holding of client securities in the jurisdiction at an *acceptable securities location*, the *Dealer Member* may hold such securities at a location in that jurisdiction if (a) the *Dealer Member* has entered into a written custodial agreement with the location as required hereunder and (b) the client has consented to the arrangement, acknowledged the risks and waived any claims it may have against the *Dealer Member*, in a form approved by ~~the Corporation~~ IROC. Such a consent and waiver must be obtained on a transaction by transaction basis.

Line 22 – Unresolved Differences

Items are considered unresolved unless:

- (i) a written acknowledgement from the counterparty of a valid claim has been received
- (ii) a journal entry to resolve the difference has been processed as of the Due Date of Form 1.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of Form 1.

Provision should be made for the *market value* and margin requirements at the Form 1 date on out-of-balance short securities and other adverse unresolved differences (such as, with banks, trust companies, brokers, clearing corporations) still unresolved as at a date one month subsequent to the Form 1 date or other applicable Due Date of Form 1.

The margin rate to be used is the one that is appropriate for inventory positions. For instance, if the calculation is for securities eligible for reduced margin, the margin rate is 25%, rather than 30%.

A separate schedule, in a form approved by ~~the Corporation~~ IROC, must be prepared detailing all unresolved differences as at the report date.

The following guidelines should be followed when calculating the required to margin amount on unresolved items:

Type of Unresolved Difference	Amount Required to Margin
Money balance - credit (potential gains)	None
Money balance - debit (potential losses)	Money balance
Unresolved Long with Money on the <i>Dealer Member's</i> Book	[(Money Balance on the trade minus <i>market value</i> of the security)* plus the applicable inventory margin]
Unresolved Long without Money on the <i>Dealer Member's</i> Books	None
Unresolved Short with Money on the <i>Dealer Member's</i> Books	[(<i>Market value</i> of the security minus money balance on the trade)* plus the applicable inventory margin]
Unresolved Long/Short on the Other Broker's Books	None
Short Security Break (e.g. Mutual Funds, Stock Dividends) or Unresolved Short without Money on the <i>Dealer Member's</i> Books	[<i>Market value</i> of the security plus the applicable inventory margin]

* also referred to as the Mark-to-Market Adjustment.

Where mutual fund positions are not reconciled on a monthly basis, margin shall be provided equal to a percentage of the *market value* of such mutual funds held on behalf of clients. Where no transactions in the mutual fund, other than redemptions and transfers, have occurred for at least six months and no loan value has been associated with the mutual fund, the percentage shall be 10%. In all other cases, the percentage shall be 100%.

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FORM 1, PART I – STATEMENT B
NOTES AND INSTRUCTIONS [Continued]

Unresolved Differences in Accounts:

Report all differences determined on or before the report date that have not been resolved as of the due date.

Month End

Month End + 20 Business Days

(Report date)

(Due date)

Include differences determined on or before the report date that have not been resolved as of the due date.

_____→

Do not include differences as of the report date that have been resolved on or before the due date.

_____→

For each account listed, set out the number of unresolved differences and the money value of both the debit and credit differences. The Debit/Short value column includes money differences and *market value* of security differences, which represent a potential loss. The Credit/Long value column includes money differences and *market value* of security differences, which represent a potential gain. In determining the potential gain or loss, the money balance and the security position *market value* of the same transaction should be netted. Debit/short and credit/long balances of different transactions cannot be netted.

All reconciliation must be properly documented and made available for review by ~~Corporation~~[IIROC](#) examination staff and *Dealer Member's Auditor*~~auditor~~.

Unresolved differences in Security Counts:

Report all security count differences determined on or before the report date that have not been resolved as of due date. The amount required to margin is the *market value* of short security differences plus the applicable inventory margin.

Line 23 – Other

This item should include all margin requirements not mentioned above as outlined in ~~Corporation~~[IIROC](#) rules.

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FORM 1, PART I – STATEMENT C

DATE: _____

(Dealer Member Name)

STATEMENT OF EARLY WARNING EXCESS AND EARLY WARNING RESERVE

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
1. B-29 RISK ADJUSTED CAPITAL		_____
LIQUIDITY ITEMS -		
DEDUCT:		
2. A-18 Other allowable assets	_____	_____
3. Sch.6A Tax recoveries	_____	_____
4. Securities held at non-acceptable securities locations	_____	_____
ADD:		
5. A-68 Non-current liabilities	_____	_____
6. A-67 Less: Subordinated loans	_____	_____
7. A-65 Less: Non-refundable leasehold inducements	_____	_____
8. A-64 Less: Finance leases and lease-related liabilities	_____	_____
9. Adjusted non-current liabilities for Early Warning purposes	_____	_____
10. Sch.6A Tax recoveries - income accruals	_____	_____
11. EARLY WARNING EXCESS		_____
DEDUCT: CAPITAL CUSHION -		
12. B-24 <i>Total margin required</i> \$_____ multiplied by 5%	_____	_____
13. EARLY WARNING RESERVE [Line 11 less Line 12]		=====

[See notes and instructions]

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IIROC Notice 19-180 – Notice of Approval/Implementation – Dealer Member Rules – Housekeeping amendments to Form 1 for use in, and consistency, with the Plain Language Dealer Member Rules Rule Book

FORM 1, PART I – STATEMENT C
NOTES AND INSTRUCTIONS

The Early Warning system is designed to provide advance warning of a *Dealer Member* encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage *Dealer Members* to build a capital cushion.

Line 1 - If *Risk Adjusted Capital* of the *Dealer Member* is less than:

- (a) 5% of *total margin required* (Line 12 above), then the *Dealer Member* is designated as being in Early Warning category **Level 1**, or
- (b) 2% of *total margin required* (Line 12 above), then the *Dealer Member* is designated as being in Early Warning category **Level 2**,

and the applicable *sanctions* outlined in ~~the Corporation~~ IIROC rules will apply.

Lines 2 and 3 - These items are deducted from RAC because they are illiquid or the receipt is either out of the *Dealer Member's* control or contingent.

Line 4 - Pursuant to the Notes and Instructions for the completion of Statement B, Line 20, where the entity would otherwise qualify as an acceptable securities location except for the fact that the *Dealer Member* has not entered into a written custodial agreement with the entity, as required by ~~Corporation~~ IIROC rules, the *Dealer Member* will be required to deduct an amount up to 10% of the *market value* of the securities held in custody with the entity, in the calculation of its *Early Warning Reserve*. Please refer to the detailed calculation formula set out to the Notes and Instructions for the completion of Statement B, Line 20 to determine the capital requirement to be reported on Statement C, Line 4.

Line 5 - Non-current liabilities (other than subordinated loans, non-current portion of lease liabilities - leasehold inducements, and non-current portion of finance leases and lease-related liabilities) are added back to RAC as they are not current obligations of the *Dealer Member* and can be used as financing.

Line 10 - This add-back ensures that the *Dealer Member* is not penalized at the Early Warning level for accruing income.

Line 11 - If *Early Warning Excess* is negative, the *Dealer Member* is designated as being in Early Warning category Level 2 and the *sanctions* outlined in ~~the Corporation~~ IIROC rules will apply.

Line 13 - If the *Early Warning Reserve* is negative, the *Dealer Member* is designated as being in Early Warning category Level 1 and the *sanctions* outlined in ~~the Corporation~~ IIROC rules will apply.

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FORM 1, PART I – STATEMENT D

(Dealer Member Name)

STATEMENT OF FREE CREDIT SEGREGATION AMOUNT

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
A. AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL FREE CREDIT LIMIT		
General client free credit limit		
1. C-13	<i>Early warning reserve</i> of \$_____ multiplied by 12 [Report NIL if amount is negative]	_____
Less client <i>free credit balances</i>:		
2. Sch.4	<i>Dealer Member's own</i> [see note]	_____
3.	Carried For Type 3 Introducers	_____
4.	Total client <i>free credit balances</i> [Section A, Line 2 plus Section A, Line 3]	_____
5.	AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL CLIENT FREE CREDIT LIMIT [Section A, Line 4 minus Section A, Line 1; report NIL if result is negative; see note]	_____
B. AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT		
Client free credit limit for margin lending purposes		
1. C-13	<i>Early warning reserve</i> of \$_____ multiplied by 20 [Report NIL if amount is negative]	_____
Less client <i>free credit balances</i> used to finance client margin loans:		
2.	Total settlement date client margin debit balances	_____
3.	Total client <i>free credit balances</i> [Include amount from Section A, Line 4 above]	_____
4.	Subtotal - Client <i>free credit balances</i> used to finance client margin loans [Lesser of Section B, Line 2 and Section B, Line 3]	_____
5.	Amount required to segregate relating to margin lending [Section B, Line 4 minus Section B, Line 1; report NIL if result is negative]	_____
Free credit limit for all other purposes		
6. C-13	<i>Early warning reserve</i> [Report NIL if amount is negative]	_____
7.	Total settlement date client margin debit balances divided by 20	_____
8.	Portion of <i>early warning reserve</i> available to support all other uses of client free credits [Section B, Line 6 minus Section B, Line 7; report NIL if result is negative]	_____
9.	Client free credit limit for all other purposes [Section B, Line 8 multiplied by 12]	_____
10.	Client free credits not used to finance margin loans [Section A, Line 4 minus Section B, Line 4]	_____
11.	Amount required to segregate relating to all other purposes [Section B, Line 10 minus Section B, Line 9; report NIL if result is negative]	_____
12.	AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT [Section B, Line 5 plus Section B, Line 11]	_____
C. AMOUNT REQUIRED TO SEGREGATE		
1.	Amount required to segregate based on general client free credit limit [Section A, Line 5]	_____
2.	Amount required to segregate based on margin lending adjusted client free credit limit [Section B, Line 12]	_____
3.	AMOUNT REQUIRED TO SEGREGATE [Lesser of Section C, Line 1 and Section C, Line 2 if Section B completed; otherwise Section C, Line 1]	_____

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FORM 1, PART I – STATEMENT D

D. AMOUNT IN SEGREGATION:

1.	A-3	Client funds held in trust in an account with an <i>acceptable institution</i> [see note]	_____	_____
2.	Sch.2	<i>Market value</i> of securities owned and in <i>segregation</i> [see note]	_____	_____
3.		AMOUNT IN SEGREGATION [Section D, Line 1 plus Section D, Line 2]	_____	_____
4.		NET SEGREGATION EXCESS (DEFICIENCY) [Section D, Line 3 minus Section C, Line 3, see note]	_____	_____

NOTES:

General – The client free credit limit and *segregation* requirements must be calculated at least weekly, but more frequently if required, consistent with the monitoring requirements for the early warning tests.

Section A, Lines 2 and 3 - *Free credit balances* in RRSP and other similar accounts should not be included. Refer to Schedule 4 - Notes and Instructions for discussion of trade versus settlement date reporting of *free credit balances*. For purposes of this statement, a free credit is:

- (a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of the *market value* of short positions and regulatory margin on those shorts.
- (b) For futures accounts - any credit balance less an amount equal to the aggregate of margin required to carry open *futures contracts* and/or *futures contracts option* positions less equity in those contracts plus deficits in those contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

Section A, Line 5 - If Nil, no further calculation on this Statement need be done.

Section B, Line 2 - Client margin debit balances reported on this line must be determined on a settlement date basis in order to exclude margin debit amounts relating to pending trades that have not yet settled.

Section D, Line 1 - The trust must be an obligation binding the *Dealer Member* (the trustee) to deal with the free credits over which it has control (the trust property), for the benefit of the client (the beneficiary). The trust property must be clearly identified as such even if residing with an *acceptable institution*.

FUNDS HELD IN TRUST FOR RRSP AND OTHER SIMILAR ACCOUNTS ARE NOT TO BE INCLUDED IN THIS CALCULATION.

Section D, Line 2 - The securities to be included are Canadian bank paper with an original term of 1 year or less and bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or 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) which are segregated and held separate and apart from the *Dealer Member's* property.

Section D, Line 4 - If negative, then a segregation deficiency exists, and the *Dealer Member* must correct the segregation deficiency within 5 *business days* following the determination of the deficiency. The *Dealer Member* must provide an explanation of how the deficiency was corrected as well as the date of correction.

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FORM 1, PART I – STATEMENT E

(Dealer Member Name)

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

for the period ended _____

REFERENCE	NOTES	(CURRENT YEAR / MONTH) C\$'000	(PREVIOUS YEAR / MONTH) C\$'000
COMMISSION REVENUE			
1.	Listed Canadian securities		
2.	Other securities		
3.	Mutual funds		
4.	Listed Canadian <i>options</i>		
5.	Other listed <i>options</i>		
6.	Listed Canadian futures		
7.	Other futures		
8.	OTC <i>derivatives</i>		
PRINCIPAL REVENUE			
9.	Listed Canadian <i>options</i> and related underlying securities		
10.	Other Equities and <i>options</i>		
11.	Debt		
12.	Money market		
13.	Futures		
14.	OTC <i>derivatives</i>		
CORPORATE FINANCE REVENUE			
15.	New issues – equity		
16.	New issues – debt		
17.	Corporate advisory fees		
OTHER REVENUE			
18.	Interest		
19.	Fees		
20.	Other [provide details]		
21.	TOTAL REVENUE		
EXPENSES			
22.	Variable compensation		
23.	Commissions and fees paid to third parties		
24.	Bad debt expense		
25.	Interest expense on <i>subordinated debt</i>		
26.	Financing cost		
27.	Corporate finance cost		
28.	Unusual items [provide details]		
29.	Pre-tax profit (loss) for the period from discontinued operations		

[See notes and instructions]

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30.	Operating expenses	_____	_____	_____
31.	Profit [loss] for Early Warning test	_____	_____	_____
32.	Income – Asset revaluation	_____	_____	_____
33.	Expense – Asset revaluation	_____	_____	_____
34.	Interest expense on internal <i>subordinated debt</i>	_____	_____	_____
35.	Bonuses	_____	_____	_____
36.	Net income/(loss) before income tax	_____	_____	_____
37. S-6(5)	Income tax expense (recovery), including taxes on profit (loss) from discontinued operations	_____	_____	_____
38.	PROFIT [LOSS] FOR PERIOD	_____	_____	_____
			F-11	
Other comprehensive income				
39.	Gain (loss) arising on revaluation of properties	_____	_____	_____
			F-5a	
40.	Actuarial gain (loss) on defined benefit pension plans	_____	_____	_____
			F-5b	
41	Other comprehensive income for the period, net of tax [Lines 39 plus 40]	_____	_____	_____
			For MFR reporting E-41 is the net change to A-71 Reserves	
42.	Total comprehensive income for the period [Lines 38 plus 41]	_____	_____	_____
Note: The following lines must also be completed when filing the MFR:				
43.	Payment of dividends or partners drawings	_____	_____	_____
44.	Other [provide details]	_____	_____	_____
45.	NET CHANGE TO RETAINED EARNINGS [Lines 38, 43 and 44]	_____	_____	_____

[See notes and instructions]

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FORM 1, PART I – STATEMENT E
NOTES AND INSTRUCTIONS

Comprehensive income

Comprehensive income represents all changes in equity during a period resulting from transactions and other events, other than changes resulting from transactions with owners in their capacity as owners. Comprehensive income includes profit and loss for the period and other comprehensive income (OCI). OCI captures certain gains and losses outside of net income. For regulatory financial reporting, two acceptable sources of other comprehensive income (OCI) are:

- the use of the revaluation model for plant, property and equipment (PPE) and intangible assets, and
- the actuarial gain (loss) on defined benefit pension plans.

Lines

1. Include all gross commissions earned on listed Canadian securities.
Commissions earned on soft dollar deals with respect to the revenue source should also be included in the appropriate Lines 1 to 8. Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).
2. Include gross commissions earned on OTC transactions [equity or debt, foreign or Canadian], rights and offers, and other foreign securities.
Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).
3. Include all gross commissions and trailer fees earned on mutual fund transactions.
Commissions paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to the mutual funds must be reported on Line 23 (Expenses: commissions and fees paid to third parties).
4. Include all gross commissions earned on listed *option* contracts cleared through the Canadian Derivatives Clearing Corporation (CDCC).
Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).
5. Include gross commissions on foreign listed *option* transactions.
Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation). Payouts to other brokers must be reported on Line 23 (Expenses: commissions and fees paid to third parties).
6. Include all gross commissions earned on listed *futures contracts* cleared through the CDCC.
Commissions paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).
7. Include all gross commissions earned on foreign listed *futures contracts*.
Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).
8. Include gross commissions earned on OTC *options*, forwards, contracts-for-difference, FX spot, and swaps.
Commission paid to registered representatives must be reported on Line 22 (Expenses: variable compensation).
9. Include all principal revenue [trading profits/losses, including dividends] from listed *options* cleared through CDCC and related underlying security transactions in market makers' and *Dealer Member's* inventory accounts.
Include adjustment of inventories to *market value*.
The financing cost must be reported separately on Line 26 (Expenses: financing cost).
10. Include all principal revenue [trading profits/losses, including dividends] from all other *options* and equities except those indicated on Line 9 (Principal revenue: listed Canadian *options* and related underlying securities).
Include adjustment of inventories to *market value*.
The financing cost must be reported separately on Line 26 (Expenses: financing cost).
11. Include revenue [trading profits/losses] on all debt instruments, other than money market instruments.

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FORM 1, PART I – STATEMENT E
NOTES AND INSTRUCTIONS [Continued]

Include adjustment of inventories to *market value*.

The financing cost must be reported separately on Line 26 (Expenses: financing cost).

12. Include revenue on all money market activities. Money market commissions should also be shown here.

Include any adjustment of inventories to *market value*.

The cost of carry must be reported separately on Line 26 (Expenses: financing cost).

13. Include all principal revenue [trading profits/losses] on *futures contracts*.

14. Include revenues from OTC *derivatives*, such as forward contracts and swaps.

Include adjustment of inventories to *market value*.

15. Include revenue relating to equity new issue business - underwriting and/or management fees, banking group profits, private placement fees, trading profits on new issue inventories [trading on an "if, as and when basis"], selling group spreads and/or commissions, and convertible debts.

Syndicate expenses must be reported separately on Line 27 (Expenses: corporate finance cost).

16. Include revenue relating to debt new issue business - Corporate and government issues, and Canada Savings Bond (CSB) commissions.

Amounts paid to CSB sub-agent fees and for syndicate expenses must be reported separately on Line 27 (Expenses: corporate finance cost).

17. Include revenue relating to corporate advisory fees, such as corporate restructuring, privatization, M&A fees.

The related expenses must be reported separately on Line 27 (Expenses: corporate finance cost).

18. Include all interest revenue, which is not otherwise related to a specific liability trading activity [i.e. other than debt, money market, and *derivatives*].

All interest revenue from carrying retail and *institutional client* account balances should be reported on this line. For example, interest revenue earned from client debit balances.

The related interest cost for carrying retail and *institutional client* accounts should be reported separately on Line 26 (Expenses: financing cost).

19. Include proxy fees, portfolio service fees, *segregation* and *safekeeping* fees, RRSP fees, and any charges to clients that are not related to commission or interest.

20. Include foreign exchange profits/losses and all other revenue not reported above.

22. Include commissions, bonuses and other variable compensation of a contractual nature.

Examples would encompass commission payouts to registered representatives (RRs) and payments to institutional and professional trading personnel.

All contractual bonuses should be accrued monthly.

Discretionary bonuses should be reported separately on Line 35 (Expenses: bonuses).

23. Include payouts to other brokers and mutual funds.

25. Include all interest on external *subordinated debt*, as well as non-discretionary contractual interest on internal *subordinated debt*.

26. Include the financing cost for all inventory trading (related to Lines 9, 10, 11 and 12) and the cost of carrying client balances (related to Line 18).

27. Include syndicate expenses and any related corporate finance expenses, as well as CSB fees.

28. Unusual items result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities.

Discontinued operations, such as a branch closure, should be reported separately on Line 29 (Expenses: profit (loss) for the period from discontinued operations).

29. A discontinued operation is a business component that has either been disposed or is classified as held for sale and represents (or is

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FORM 1, PART I – STATEMENT E
NOTES AND INSTRUCTIONS [Continued]

part of a plan to dispose) a separate significant line of business or geographical area of operations. For example, branch closure. The profit (loss) on discontinued operations for the period is on a pre-tax basis. The tax component is to be included as part of the income tax expense (recovery) on Line 37.

30. Include all operating expenses (including those related to soft dollar deals).

Over-certification cost relating to debt instruments should be reported on this line.

Transaction cost for inventory trading (specifically for inventory that are categorized as held-for-trading) should be included on this line.

The expense related to share-based payments (such as stock option or share reward) to *employees* and non-*employees* should be included on this line.

31. This is the profit (loss) number used for the Early Warning profitability tests.

32. When a *Dealer Member* uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing income after considering accumulated depreciation (or amortization) and OCI surplus.

33. When a *Dealer Member* uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing expense after considering accumulated depreciation (or amortization) and OCI surplus.

34. Include interest expense on *subordinated debt* with related parties for which the interest charges can be waived if required.

35. This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. These bonuses are in contrast to those reported on Line 22 (Expenses: variable compensation).

37. Include only income taxes and the tax component relating to the profit (loss) on discontinued operations for the period.

Realty and capital taxes should be included on Line 30 (Expenses: operating expenses).

39. When a *Dealer Member* uses the revaluation model to re-measure its PPE and intangible assets, changes to fair value may result in a change to shareholders' equity after considering accumulated depreciation (amortization) and income or expense from asset revaluation.

40. When a *Dealer Member* has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in OCI, the subsequent adjustments must be recognized in OCI.

43. **To be used for MFR filing only.**

44. **To be used for MFR filing only:** Include direct charges or credits to retained earnings.

Any adjustment required to reconcile the MFR's retained earnings to the audited Form 1 retained earnings must be posted to the individual Statement E line items on the first MFR that is filed after the adjustment is known.

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**FORM 1, PART I – STATEMENT F
NOTES AND INSTRUCTIONS**

A. Changes in Issued Capital

Change in share or partnership capital

Depending on the circumstances, a *Dealer Member* must either formally notify or obtain prior approval from ~~the Corporation~~ [IIROC](#) for any change in any class of common and preferred share or partnership capital.

Share premium

When the *Dealer Member* sells its shares (initial issuance or from treasury), share premium is the excess amount received by the *Dealer Member* over the par value (or nominal value) of its shares. Share premium cannot be used to pay out dividends.

B. Changes in Reserves

General reserve

General reserve is an amount set aside for future use, expense, loss or claim - in accordance with statute or regulation. It includes an amount appropriated from retained earnings – in accordance with statute or regulation. Appropriation directly from the income statement is not permitted for general reserves.

Reserve - Employee benefits

When a *Dealer Member* has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in other comprehensive income (OCI), all subsequent adjustments must be recognized as other comprehensive income and will be accumulated in a reserve account.

When a *Dealer Member* has stock option or share award granted to its *employees* by issuing new shares, the *Dealer Member* recognizes the fair value of the option or new shares granted as an expense with a corresponding increase in a reserve account.

Reserve - properties revaluation

When using the revaluation model for certain non-allowable assets (PPE and intangibles), a *Dealer Member* will account the initial increase in value as other comprehensive income (OCI) and will accumulate the increase (and subsequent changes) in a revaluation reserve account.

C. Changes in Retained Earnings

Change in accounting policy and retroactive adjustment of prior year's retained earnings

A change in accounting policy in the current year requires retroactive adjustment of the prior year's retained earnings. The beginning balance of the current year must be the ending balance of the prior year.

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FORM 1, PART II

REPORT ON COMPLIANCE FOR INSURANCE, SEGREGATION OF SECURITIES, AND GUARANTEE/GUARANTOR RELATIONSHIPS RELIED UPON TO REDUCE MARGIN REQUIREMENTS DURING THE YEAR

To: The Investment Industry Regulatory Organization of Canada (~~the Corporation~~ IIROC) and the *Canadian Investor Protection Fund (CIPF)*.

We have performed the following procedures in connection with the regulatory requirements for <Dealer Member> to maintain minimum insurance, segregate client securities, and maintain *guarantee* relationships as outlined in the Rules of ~~the Corporation~~ IIROC. Compliance with ~~the Corporation~~ IIROC Rules with respect to maintaining minimum insurance, the *segregation* of client securities, and maintaining *guarantee* relationships is the responsibility of the management of the *Dealer Member*. Our responsibility is to perform the procedures requested by you.

1. We have read the *Dealer Member's* written internal control policies and procedures with respect to maintaining insurance coverage and *segregation* of client securities to determine whether such policies and procedures meet the minimum required under ~~Corporation~~ IIROC Rules in regards to establishing and maintaining adequate *internal controls*.
2. a) We obtained representation from appropriate senior management of the *Dealer Member* that the *Dealer Member's* internal control policies and procedures with respect to insurance and *segregation* of client securities meet the minimum required under ~~Corporation~~ IIROC Rules in regards to establishing and maintaining adequate *internal controls* and that they have been implemented.
b) We obtained written representation from appropriate senior management of the *Dealer Member* that the *Dealer Member's* guarantor agreements comply with the minimum requirements of section 5825 of the IIROC Dealer Member Rule 100.15(h) Rules.
3. We read the Financial Institution Bond Form #14 (the "~~FIB~~") insurance policy(s) to determine whether the FIB policy(s) includes the minimum required clauses and coverage limits as prescribed in the Rules of ~~the Corporation~~ IIROC.
4. We requested and obtained confirmation from the *Dealer Member's* Insurance Broker(s) as at <period end date> as to the FIB coverage maintained with the Insurance Underwriter(s) including:
 - a) clauses
 - b) aggregate and single loss limits
 - c) deductible amounts
 - d) name of insurer and insured
 - e) claims made on the policy since last audit
 - f) details of losses/claims outstanding
5. We selected account statements for 10 clients. For each, we calculated the Client Net Equity amount. We traced the Client Net Equity amount to the Total Client Net Equity Report as at the audit date produced by the *Dealer Member* to check that the compilation of Client Net Equity is in accordance with the Notes and Instructions to Schedule 10 of Form 1. We agreed Total Client Net Equity from the report to Schedule 10.
6. We obtained a listing of all *segregation* locations used by the *Dealer Member* and determined that each location met the definition of "*acceptable securities* ~~locations~~ location" as defined in the General Notes and Definitions to Form 1.
7. We selected a sample of 10 client account statements. For each we re-calculated the *segregation* requirements and compared the result to the *Dealer Member's* Segregation Report.
8. We selected positions¹ reported as being undersegregated at various dates throughout the year and determined the date on which the undersegregation was corrected. We obtained explanations from the *Dealer Member* and reviewed them for reasonableness. Undersegregated positions not corrected in accordance with ~~Corporation~~ IIROC Rules are reported below.
9. We obtained the lists of hypothecated securities at <period end date> and compared a sample of securities to the Segregation Report to determine if there were securities used to secure call loans which should have been in *segregation*.
10. We selected 10 securities positions from the Stock Record and Position Report ("~~the~~ SRP") to identify a customer holding a position. We compared the securities positions to the customers' statements to check whether the stock message properly reported whether the positions were held in *segregation*. We also selected a sample of segregated securities from customer accounts

¹ The sample selected must consist of the greater of: (i) 10 securities or, (ii) the total sample items selected by the auditor to support the audit opinion provided on the Statements of Form 1.

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and traced those back to the SRP and to the Segregation Report.

11. We obtained a list of *guarantee* relationships used by the *Dealer Member* to reduce the margin required during the year for monthly financial reporting purposes. We performed no procedures to verify the accuracy or completeness of this list.
12. We selected a sample of 10 *guarantee* relationships used to reduce margin required during the year and performed the following procedures:
 - a) Obtained written confirmation from the guarantor of the account(s) guaranteed; and that the *guarantee* was in place during the year ended <year end>.
 - b) Compared the wording of the *guarantee* agreements to the minimum requirements of [section 5825 of the IIROC Dealer Member Rule 100.15\(h\) Rules](#).

As a result of applying the above procedures, there were no exceptions except as follows:

These procedures do not constitute an audit and therefore we express no opinion on the adequacy of the *Dealer Member's* insurance coverage, *segregation* of client securities, maintenance of *guarantee* relationships, or internal control policies and procedures. This report is for use solely by ~~the Corporation~~ [IIROC](#) and *CIPF* to assist in their assessment of the *Dealer Member's* compliance with the requirements regarding maintaining minimum insurance, segregating client securities, and maintaining *guarantee* relationships as outlined in the Rules of ~~the Corporation~~ [IIROC](#) and not for any other purpose.

(auditing firm)

(date)

(signature)

(place of issue)

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FORM 1, PART II – SCHEDULE 1

NOTES AND INSTRUCTIONS

1. This schedule is to be completed for secured loan receivable transactions whereby the stated purpose of the transaction is to lend excess cash. All security borrowing and financing transactions done via 2 trade tickets, including resale transactions and those with related parties, should also be disclosed on this schedule.
2. For the purpose of this schedule,
 - (a) "cash ~~loans~~ loan receivable" ~~are~~ is a loan ~~transaction~~ transaction where the purpose of the loan is for the *Dealer Member* to lend cash and receive securities as collateral from the counterparty;
 - (b) "excess collateral deficiency" is defined as:
 - (i) For a cash ~~loans~~ loan receivable, any excess of the amount of the loan over the *market value* of the actual collateral received from the transaction counterparty;
 - or
 - (ii) For a securities borrow ~~arrangements~~ arrangement, any excess of the *market value* of the actual collateral provided to the transaction counterparty over:
 - (A) 102% of the *market value* of the securities borrowed, where cash is provided as collateral; or
 - (B) 105% of the *market value* of the securities borrowed, where securities are provided as collateral.
- and
- (c) "securities borrow ~~arrangements~~ arrangement" ~~are~~ is a loan ~~transaction~~ transaction where the purpose of the loan is for the *Dealer Member* to borrow securities and deliver cash or securities as collateral to the counterparty.
3. Include accrued interest in amount of loan receivable.
4. *Market value* of securities delivered or received as collateral should include accrued interest.
5. **Cash loans receivable**

(a) Written agreement requirements

Any written agreement for a cash loan receivable between the *Dealer Member* and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

(b) Margin requirements

The margin requirements for a cash loan receivable are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in Note 5(a), the margin required shall be:
 - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
 - (B) 100% of the *market value* of the actual collateral provided to the transaction counterparty.

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FORM 1, PART II – SCHEDULE 1
NOTES AND INSTRUCTIONS [Continued]

- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 5(a), the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin ¹
<i>Acceptable counterparty</i>	Excess collateral deficiency ¹
<i>Regulated entity</i>	Excess collateral deficiency ¹
Other	Margin
¹ Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.	

6. Securities borrow arrangements

(a) Written agreement requirements

Any written agreement for a securities borrowing arrangement between the *Dealer Member* and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities borrowed or securities provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

(b) Additional written agreement requirements for certain agency agreements

Agency agreements where agent may be treated as equivalent to principal

Any written collateral management or custodial agreement involving a securities borrowing arrangement between the *Dealer Member* and a third party custodian, which is acting as an agent, may be reported and treated in the same manner for margin purposes as the equivalent principal securities borrowing arrangement between the *Dealer Member* and the third party custodian, if all of the following additional terms [i.e. over and above those set out in Note 6(a)] are stipulated in the written agreement:

- (i) the loan collateral must be held by the third party custodian agent and if the loan collateral is made up of securities there must be no right to re-hypothecate those securities;
- (ii) in the event of the *Dealer Member* default, the loan collateral that has been posted with the third party custodian agent will be liquidated by the third party custodian agent and proceeds used to purchase the borrowed security which will be returned to the underlying principal lender. If the borrowed security cannot be purchased in the market, its equivalent value is returned to the underlying principal lender. Any excess value on the realization on the loan collateral will be returned by the third party custodian agent to the *Dealer Member*; and
- (iii) the third party custodian agent must meet the definition of “financial intermediary” in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act).

Agency agreements where agent must not be treated as equivalent to principal

Where these additional terms [(i),(ii) and (iii) immediately above] are not all present or the arrangement does not involve an agent that is acting as a third party custodian, the *Dealer Member* must look through the agent in the agency arrangement to

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FORM 1, PART II – SCHEDULE 1
NOTES AND INSTRUCTIONS [Continued]

the underlying principal lender and the agency arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal securities borrowing arrangement between the *Dealer Member* and the underlying principal lender.

(c) Margin requirements

The margin requirements for a securities borrowing arrangement are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in Note 6(a), the margin required shall be:
 - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
 - (B) 100% of the *market value* of the actual collateral provided to the transaction counterparty.
- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 6(a), for margin purposes:
 - (A) For principal arrangements, the counterparty is the principal in the arrangement,
 - (B) For agency arrangements, where a third party custodian agent is involved and all of the additional required minimum terms in Note 6(b) are present, the counterparty is the third party custodian,
 - (C) For agency arrangements, where all of the additional required minimum terms in Note 6(b) are not present or the arrangement does not involve an agent that is acting as a third party custodian, the counterparty is the underlying principal lender,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin ¹
<i>Acceptable counterparty</i>	Excess collateral deficiency ¹
<i>Regulated entity</i>	Excess collateral deficiency ¹
Other	Margin
¹ Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.	

7. Securities resale agreements

(a) Written agreement requirements

Any written agreement for a securities resale agreement between the *Dealer Member* and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default,
- (ii) For events of default,
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party,
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority,
- (v) If set-off rights or security interests are created in securities sold or loaned by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions; and

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NOTES AND INSTRUCTIONS [Continued]

- (vi) For an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the securities at any time.

(b) Margin requirements

The margin requirements for a securities resale agreement are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms, the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required based on term of transaction	
	30 calendar days or less after regular settlement ¹	Greater than 30 calendar days after regular settlement ¹
<i>Acceptable institution</i>	No margin ²	
<i>Acceptable counterparty</i>	<i>Market value</i> deficiency ²	Margin
<i>Regulated entity</i>	<i>Market value</i> deficiency ²	Margin
Other	Margin	200% of margin (to a maximum of the <i>market value</i> of the underlying securities)
¹ Regular settlement means the settlement date or delivery date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs. Margin is calculated from the date of regular settlement. Calendar days refer to the original term of the resale transaction. ² Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.		

- (ii) Where a written agreement has been entered into that includes all of the required minimum terms, the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin ¹
<i>Acceptable counterparty</i>	<i>Market value</i> deficiency ¹
<i>Regulated entity</i>	<i>Market value</i> deficiency ¹
Other	Margin
¹ Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.	

8. For any given counterparty a deficiency in one type of loan may be offset by an excess in another type of loan provided that there are written agreements for each type of loan which provide for the right of offset between each type of loan. In such case, the balances may also be offset for margin calculation purposes.
9. In order for a pension fund to be treated as an *acceptable institution* for purposes of this Schedule, it must not only meet the *acceptable institution* criteria outlined in General Notes and Definitions, but the *Dealer Member* must also have received representation that the pension fund is legally able to enter into the obligations of the transaction. If such representation has not been received, the pension fund which otherwise meets the *acceptable institution* criteria must be treated as an *acceptable counterparty*.
10. **Lines 2, 3, 6 and 7** - In the case of a cash loan receivable or a securities borrowing arrangement between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, where an *excess collateral deficiency* exists, action must be taken to correct the deficiency. If no action is taken the amount of *excess collateral deficiency* must be immediately provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

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FORM 1, PART II – SCHEDULE 1

NOTES AND INSTRUCTIONS [Continued]

11. **Lines 10 and 11** - In the case of a resale transaction between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, where a deficiency exists between the *market value* of the securities resold and the *market value* of the cash pledged, action must be taken to correct the deficiency. If no action is taken the amount of *market value* deficiency must be immediately provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.
12. **Lines 4, 8 and 12** - In the case of a cash loan receivable or a securities borrowing or a resale arrangement / transaction between a *Dealer Member* and a party other than an *acceptable institution*, *acceptable counterparty* or *regulated entity*, where a deficiency exists between the loan value of the cash loaned or securities borrowed or resold and the loan value of the collateral or cash pledged, action must be taken to correct the deficiency. If no action is taken the amount of loan value deficiency must be immediately provided out of the *Dealer Member's* capital. The margin required may be reduced by any margin already provided on the collateral (e.g. in inventory). Where the collateral is either held by the *Dealer Member* on a fully segregated basis or held in escrow on its behalf by an Acceptable Depository or a bank or trust company qualifying as either an *acceptable institution* or *acceptable counterparty*, only the amount of *market value* deficiency need be provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.
13. **Lines 5, 6 and 7** - In a securities borrowed transaction between a *Dealer Member* and an *acceptable institution*, *acceptable counterparty*, or *regulated entity*, where a letter of credit issued by a Schedule 1 Bank is used as collateral for the securities borrowed, there shall be no charge to the *Dealer Member's* capital for any excess of the value of the letter of credit pledged as collateral over the *market value* of the securities borrowed.
14. **Lines 4, 8 and 12** - Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in Note 6(b) whereby an *acceptable institution*, *acceptable counterparty*, or *regulated entity* is only acting as an agent (on behalf of an "other" party) should be reported and margined as "Others".

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FORM 1, PART II – SCHEDULE 2

DATE: _____

(Dealer Member Name)

ANALYSIS OF SECURITIES OWNED AND SOLD SHORT AT MARKET VALUE

CATEGORY	MARKET VALUE		MARGIN REQUIRED C\$'000
	LONG C\$'000	SHORT C\$'000	
1. Money market	_____	_____	
Accrued interest	_____	_____	NIL
TOTAL MONEY MARKET	_____	_____	
2. Debt	_____	_____	
Accrued interest	_____	_____	NIL
TOTAL DEBT	_____	_____	
3. Equities	_____	_____	
Accrued interest on convertible debentures	_____	_____	NIL
TOTAL EQUITIES	_____	_____	
4. <i>Options</i>	_____	_____	
5. Futures	NIL	NIL	
6. OTC <i>derivatives</i>	_____	_____	
7. Registered traders, specialists and market makers	NIL	NIL	
8. TOTAL	_____	_____	
		A-52	B-10
9. LESS: Securities, including accrued interest, segregated for client free credit ratio calculation	_____		
	A-8 and D-Sec. D-2		
10. Adjusted TOTAL	_____		
	A-7		

SUPPLEMENTARY INFORMATION

- Market value* of securities included above but held on deposit as variable base deposits or margin deposits with *acceptable clearing corporations* or *regulated entities* or as a comfort deposit with a *carrying broker* _____
- Margin reduction from offsets against *Trader* reserves and PDO guarantees _____

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 2A

DATE: _____

(Dealer Member Name)

MARGIN FOR CONCENTRATION IN UNDERWRITING COMMITMENTS

INDIVIDUAL CONCENTRATION:

Description [see note 3]	<i>Market Value</i> C\$'000	Normal Margin C\$'000	40% of Net Allowable Assets C\$'000	Excess C\$'000	Margin already provided C\$'000 [see note 2]	Concentration Margin C\$'000
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
1. SUBTOTAL						_____

OVERALL CONCENTRATION:

Description [see note 5]	<i>Market Value</i> C\$'000	Normal Margin C\$'000	100% of Net Allowable Assets C\$'000	Excess C\$'000	Margin already provided C\$'000 [see note 4]	Concentration Margin C\$'000
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
2. SUBTOTAL						_____
3. CONCENTRATION MARGIN [Lines 1 plus 2]						_____

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NOTES:

- This schedule need only be completed for underwriting commitments requiring concentration margin.
- INDIVIDUAL COMMITMENT CONCENTRATION:
Where the normal margin required on any one commitment is reduced due to either:
 - the use of a new issue letter; or
 - qualifying expressions of interest received from exempt list customers that have been verbally confirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally confirmed]
 and the normal margin on the commitment exceeds 40% of the *Dealer Member's* net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on the individual underwriting position to which such excess relates.
- Report details by individual commitments.
- OVERALL COMMITMENT CONCENTRATION:
Where the normal margin required on some or all commitments is reduced due to either:
 - the use of a new issue letter; or
 - qualifying expressions of interest received from exempt list customers that have been verbally confirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally confirmed]
 and the aggregate normal margin on these commitments exceeds 100% of the *Dealer Member's* net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on such commitments and by the amount, if any, already provided for individual concentration.

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FORM 1, PART II – SCHEDULE 2A

5. It is not necessary to report details of individual commitments. Report the aggregate totals.

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FORM 1, PART II – SCHEDULE 2B

DATE: _____

(Dealer Member Name)

UNDERWRITING ISSUES MARGINED AT LESS THAN THE NORMAL MARGIN RATES

		Par value or number of shares			<i>Market value</i>		Effective margin	Margin required	
Description	Maturity date	Long C\$'000	Short C\$'000	Market price	Long C\$'000	Short C\$'000	rate %	C\$'000	Expiry date
TOTALS									

NOTES:

1. The purpose of this schedule is to disclose all unsold portions of new and secondary issues held by underwriters that are margined at less than the normal margin rates applicable to those securities as permitted in the rules of ~~the Corporation~~IROC. Expiry date refers to the date of any out clause or the expiry date on a bank letter.
2. For positions in this schedule, the margin rate shall give effect to any bank letters or out clauses, and the margin required shall indicate the margin remaining after offsets and/or hedging strategies.

FORM 1, PART II – SCHEDULE 4
NOTES AND INSTRUCTIONS

1. EACH DEALER MEMBER SHALL OBTAIN FROM CLIENTS, PARTNERS, SHAREHOLDERS, AND CLIENTS CARRIED FOR AN INTRODUCING BROKER, SUCH MINIMUM MARGIN IN SUCH AMOUNT AND IN ACCORDANCE WITH SUCH REQUIREMENTS AS PRESCRIBED BY ~~THE~~ [CORPORATION IROC](#).
2. **"extended settlement date"** transaction shall mean a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after *regular settlement date*.
"regular settlement date" means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 *business days* past trade date, settlement date will be deemed to be 15 *business days* past trade date. In the case of new issue trades, *regular settlement date* means the contracted settlement date as specified for that issue.
3. **Lines 1 to 3** - Balances including *extended settlement date* transactions should be reported on these lines. However, the margin related to such extended settlements should be calculated as described in Note 13 and reported on Line 4.
4. **Line 1** - No mark to market or margin is required on accounts with *acceptable institutions* in the case of either *regular* or *extended settlement date* transactions EXCEPT any transaction which has not been confirmed by an *acceptable institution* within 15 *business days* of the trade date shall be margined.
This line is to include all trading balances with *acceptable institutions* except *free credit balances*, which should be included on Line 5.
5. **Line 2** - In the case of a *regular settlement date* transaction in the account of an *acceptable counterparty* the amount of margin to be provided, commencing on *regular settlement date*, shall be the equity deficiency calculated by determining the difference between (a) the net *market value* of all settlement date security positions in the customer's account(s) and (b) the net money balance on a settlement date basis in the same account(s).
Any transaction, which has not been confirmed by an *acceptable counterparty* within 15 *business days* of the trade date, shall be margined.
This line is to include all trading balances with *acceptable counterparties* except *free credit balances*, which should be included on Line 5.
6. **Line 3(a) - "margin accounts"** means accounts which operate according to the following rules:
 1. Settlement of each transaction in a margin account of a customer shall be made on or before the settlement date by payment of the amount required to complete the transaction or by delivery of the required securities, as the case may be.
 2. Payment by a customer in respect of any margin account transaction may be by:
 - a) cash or other immediately available funds;
 - b) applying the loan value of securities to be deposited;
 - c) applying the excess loan value in the account or in a guarantor's account.
 3. Each margin account of a customer, which has become undermargined, shall within 20 *business days* of the account becoming undermargined be restricted only to trades, which reduce the margin deficiency in the account. Such restriction shall apply until the account is fully margined.
 4. Advancing funds or delivering securities from the account of a customer shall not be permitted as long as the account is undermargined or if such advance or delivery would cause the account to become undermargined.
7. **Line 3(a)** - In the case of a *regular settlement date* transaction in the margin account of a *person* other than a *regulated entity*, *acceptable counterparty* or *acceptable institution*, the amount of margin to be provided, commencing on *regular settlement date*, shall be the margin deficiency at not less than prescribed rates, if any, that exists.

TRADE DATE MARGINING

For *Dealer Members* determining margin deficiencies for clients on a trade date basis, (a) any amount of margin required to be provided under this subsection shall be determined using money balances and security positions as of trade date, and (b) the amount referred to in the previous paragraph shall be determined and provided commencing on trade date.

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FORM 1, PART II – SCHEDULE 4
NOTES AND INSTRUCTIONS [Continued]

8. **Line 3(b) - "cash accounts"** means accounts which operate according to the following rules:

1. CASH ACCOUNTS

Settlement of each transaction in a cash account (other than DAP or RAP transactions referred to below) of a customer should be made by payment or delivery on the settlement date. In the event the account does not settle as required, capital will be provided as prescribed in Note 9.

2. DELIVERY AGAINST PAYMENT (DAP)

Settlement of a purchase transaction in an account for which the customer has made arrangements with the *Dealer Member* on or before settlement date for delivery by the *Dealer Member* against payment in full by the customer shall be settled on the later of (i) settlement date or (ii) the date on which the *Dealer Member* gives notice to the customer that the securities purchased are available for delivery.

3. RECEIPT AGAINST PAYMENT (RAP)

Settlement of a sale transaction in an account for which the customer has made arrangements with the *Dealer Member* on or before settlement date for receipt of securities by the *Dealer Member* against payment to the customer shall be settled on the settlement date.

4. PAYMENT

Payment by a customer in respect of any cash account transaction may be by:

- a) cash or other immediately available funds;
- b) the application of the proceeds of the sale of the same or other securities held long in any cash account of the customer with the *Dealer Member* provided that the equity (trade date brokers include unsettled transactions) in such account exceeds the amount of the transaction;
- c) the transfer of funds from a margin account of the customer with the *Dealer Member* provided adequate margin is maintained in such account immediately before and after the transfer.

5. ISOLATED TRANSACTIONS

A customer shall be permitted in an isolated instance to:

- a) settle, when the equity (excluding all unsettled transactions) in such account does not exceed the amount of the transaction, a regular or DAP cash account transaction by the sale of the same security in any cash account of the customer with the *Dealer Member*;
- b) transfer a transaction in a cash account to a margin account prior to payment in full; or
- c) transfer a transaction in a DAP account to a margin account within 10 *business days* after settlement date.

6. ACCOUNT RESTRICTIONS

a) Cash accounts

When any portion of the money balance for a cash account of a customer is outstanding 20 *business days* or more after settlement date the customer shall be restricted from entering into any other transactions (other than liquidating transactions) in any account of the customer with the *Dealer Member*, unless and until (i) payment of any such money balance outstanding for 20 *business days* or more shall have been made, (ii) all open and unsettled transactions in any cash account of the customer with the *Dealer Member* have been transferred in accordance with subsection 7, or (iii) the customer has executed a liquidating transaction in the account with the effect that no portion of the money balance in the account is outstanding 20 *business days* or more after settlement date.

b) DAP accounts

When any portion of the money balance for a DAP account transaction of a customer is outstanding 5 *business days* or more (or, in the case of transactions of customers situated other than in continental North America, 15 *business days*) from the date on which the transaction is required to be settled in accordance with subsection 2, the customer shall be restricted from entering into any other transaction (other than liquidating transactions) in any other account of the customer with the *Dealer Member*, unless and until (i) such transaction has been settled in full or (ii) all open and unsettled transactions in any cash account of the customer with the *Dealer Member* have been transferred in accordance with subsection 7.

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FORM 1, PART II – SCHEDULE 4
NOTES AND INSTRUCTIONS [Continued]

7. TRANSFER TO MARGIN ACCOUNT

The account restrictions in subsection 6 (a) and (b) shall not apply to the accounts of a customer who (i) do not have a margin account with the *Dealer Member*, and (ii) on or after the accounts becoming so restricted, transfers all open and unsettled transactions in any cash account of the customer with the *Dealer Member* to one or more newly established margin accounts of the customer with the *Dealer Member*, provided such margin accounts have been properly established by the completion of all necessary documentation and action and adequate margin is maintained in such account(s) immediately after such transfer.

8. ACCEPTABLE INSTITUTIONS AND OTHERS

Subsection 6 does not apply to the accounts of *acceptable institutions*, *acceptable counterparties*, non-*Dealer Member* brokers, or *regulated entities*.

9. Line 3(b) - Margin must be provided as follows:

CASH ACCOUNTS

- a) When any portion of the money balance in a cash account of a *person* other than a *regulated entity*, *acceptable counterparty* or *acceptable institution* is overdue for a period of less than 6 *business days* past *regular settlement date*, in the case of regular settlement transactions, the amount of margin to be provided, commencing on *regular settlement date*, shall be the equity deficiency, if any, calculated by determining the difference between (a) the net weighted *market value* of all settlement date security positions in the customer's cash account(s) and (b) the net money balance on a settlement date basis in the same account(s).

For the purposes of calculating weighted *market value*, the following weightings will apply:

- Securities that currently have a margin rate of 60% or less, are weighted at 1.000
 - Listed securities with a margin rate greater than 60% are weighted as 0.333
 - Nasdaq National Market® and Nasdaq SmallCap MarketSM securities with a margin rate of more than 60% are weighted as 0.333
 - All other unlisted securities with a margin rate of more than 60% are weighted as ~~0.000~~0.000.
- b) Commencing on 6 *business days* or more past *regular settlement date*, the amount of margin to be provided shall be the margin deficiency, if any, that would exist if all of the customer's cash accounts were margin accounts;
- c) The amounts provided in (a) or (b) above may be reduced by the amount of excess margin in the customer's margin accounts and any equity surplus in the customer's DAP and RAP accounts, if any.

DAP AND RAP ACCOUNTS

- a) When any portion of the money balance in a DAP account or RAP account of a *person* other than a *regulated entity*, *acceptable counterparty* or *acceptable institution* is overdue for a period of less than 10 *business days* past *regular settlement date*, in the case of regular settlement transactions, the amount of margin to be provided, commencing on *regular settlement date*, shall be the equity deficiency, if any, of (a) the net *market value* of all settlement date security positions in the customer's DAP, or RAP account(s) and (b) the net money balance on a settlement date basis in the same account(s).
- b) For each transaction in a DAP or RAP account which is unsettled, or any money portion in respect of such transaction is outstanding, in either case for a period of 10 *business days* or more past *regular settlement date*, the amount of margin to be provided shall be the margin deficiency calculated in respect of each such transaction as if such transaction was in a margin account.
- c) For a customer whose accounts are restricted, the amount to be provided shall be the margin deficiency, if any, that would exist if all of the customer's DAP and RAP accounts were margin accounts;
- d) The amount to be provided in (a), (b) or (c) above may also be reduced by the amount of excess margin in the customer's margin accounts and any equity surplus in the customer's cash accounts, if any.

CONFIRMATIONS AND COMMITMENT LETTERS

The margin requirements outlined in the previous paragraphs of Note 9 do not apply if a customer has provided the *Dealer Member* on or before settlement date with an irrevocable and unconditional confirmation from an *acceptable clearing corporation* or letter of commitment from an *acceptable institution* to the effect that such corporation or institution will accept delivery from the *Dealer*

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FORM 1, PART II – SCHEDULE 4
NOTES AND INSTRUCTIONS [Continued]

Member and pay for the securities to be delivered, and in such event settlement shall be considered provided for by the customer.

TRADE DATE MARGINING

For *Dealer Members* determining margin deficiencies for clients on a trade date basis, the amount of margin required between trade date and settlement date shall be the equity deficiency, if any, calculated by determining the difference between (a) the net *market value* of all trade date security positions in the customer's cash, DAP or RAP account(s) and (b) the trade date net money balance in the same account(s). Commencing on *regular settlement date*, the amount of margin to be provided shall be the margin requirement outlined in the previous paragraphs of Note 9.

10. Any transactions in open cash accounts at the report date which, subsequent to that date, become in violation of the cash account requirements and have resulted in either a material loss or a material deficit - equity position, must either be fully margined or the total amount to margin such items must be reported as a footnote to Form 1.
11. **Line 3(c)** - Client accounts shall be marked to market and margined daily using as a minimum the margin requirements of the Clearing House of the Futures Exchange on which the *futures contract* is traded or at the rate required by the *Dealer Member's* clearing broker, whichever is the greater.
12. **Line 3(d)** - The amount required to fully margin should be the aggregate of unsecured debits plus the margin required on any short security positions in such accounts or in accounts with no money balance. Any account that is partly secured should be included on Line 3(a) - Margin Accounts.
13. **Line 4** - Report only the margin related to extended settlements in cash, DAP, RAP or margin accounts on this line. In the case of an extended settlement transaction between a *Dealer Member* and either an *acceptable counterparty* or any other counterparty (other than an *acceptable institution* (see Note 4) or *regulated entity* (see Schedule 5)), the position shall be margined as follows, commencing on *regular settlement date*:

CALENDAR DAYS AFTER REGULAR SETTLEMENT (Note 1)		
Counterparty	30 days or less	Greater than 30 days
<i>Acceptable counterparty</i>	Market deficiency (Note 2)	Margin
Other	Margin	200% of margin (to a maximum of the <i>market value</i> of the underlying securities)
Note 1: Calendar days refers to the original term of the extended settlement transaction.		
Note 2: Any transaction which has not been confirmed by an <i>acceptable counterparty</i> within 15 <i>business days</i> of the trade shall be margined.		

14. **Line 5 - *Free credit balances*** in all accounts except RRSP and other similar accounts should be included. *Dealer Members* margining on a trade date basis will generally calculate *free credit balances* on a trade date basis and should report this trade date figure on Line 5. However, for those *Dealer Members* margining on a settlement date basis, their *free credit balances* will generally be calculated on a settlement date basis and this settlement date figure should be reported on Line 5. Note that a consistent basis of calculating *free credit balances* must be used from month to month.

For cash and margin accounts, a free credit is: "the credit balance less an amount equal to the aggregate of the *market value* of short positions and regulatory margin on those shorts".

For futures accounts, a free credit is: "any credit balance less an amount equal to the aggregate of margin required to carry open *futures contracts* and/or *futures contracts option* positions less equity in those contracts plus deficits in those contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance."
15. **Line 5(a)** - For those *Dealer Members* reporting *free credit balances* on a settlement date basis on Line 5, report the *free credit balances* arising as a result of pending trades on this line.
16. **Line 7** - Deduct the allowance for bad debts recorded in the accounts in order that the totals in Line 8 are shown "net".
17. **Line 9(b)** - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the *Dealer Member* and the IA permitting the *Dealer Member* to recover the unsecured balances of the IA's client accounts from the IA reserve account. Include margin reductions arising from guarantees relating to customers' accounts by Partners, *Directors*, and Officers of the *Dealer Member* (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of

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FORM 1, PART II – SCHEDULE 4
NOTES AND INSTRUCTIONS [Continued]

the *Dealer Member*.

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FORM 1, PART II – SCHEDULE 4A

DATE: _____

(Firm Name)

LIST OF TEN LARGEST VALUE DATE TRADING BALANCES WITH ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES

[excluding balances less than 20% of *Risk Adjusted Capital* or \$250,000, whichever is the smaller]

On approved *acceptable institutions/acceptable counterparty* list

Name of Institution	Yes/No	<i>Acceptable institution</i>	<i>Acceptable counterparty</i>	Debits C\$'000	Credits C\$'000	Margin C\$'000
TOTALS						

NOTES:

1. This schedule is to report only ten balances with an indication whether each balance is with an *acceptable institution* or an *acceptable counterparty*.
2. For balances with *acceptable institutions* and *acceptable counterparties* not on the approved lists, as published by ~~the Corporation~~IIROC, please provide their latest audited financial statements.

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FORM 1, PART II – SCHEDULE 5

DATE: _____

(Dealer Member Name)

ANALYSIS OF BROKERS' AND DEALERS' TRADING BALANCES

CATEGORY	BALANCES		AMOUNT
	DEBIT C\$'000	CREDIT C\$'000	REQUIRED TO FULLY MARGIN C\$'000
1. <i>Acceptable clearing corporations</i> trading balances [see notes]	_____	_____	_____
2. <i>Regulated entities</i> [see notes]	_____	_____	_____
3. (a) <i>Dealer Member's</i> own affiliated/related partnerships or corporations duly approved and audited under the capital requirements of the Corporation <u>IIROC</u>	_____	_____	_____
(b) <i>Dealer Member's</i> own affiliated/related partnerships or corporations - not approved [see note 6 - give details]	_____	_____	_____
4. (a) Other brokers and dealers not qualifying as <i>regulated entities</i> but qualifying as <i>acceptable counterparties</i> [see note 7 - give details]	_____	_____	_____
(b) Other brokers and dealers not qualifying as <i>regulated entities</i> or <i>acceptable counterparties</i> [see note 8 - give details]	_____	_____	_____
5. Mutual Funds or their agents [see note 9]	_____	_____	_____
6. TOTAL	_____	_____	_____
	A-10	A-54	B-13

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 5
NOTES AND INSTRUCTIONS

1. This schedule is only to include ordinary security trading transactions. All security borrowing or lending transactions should be disclosed on Schedules 1 or 7.
2. **Lines 1, 2, 3 and 4 where applicable** - Balances may be reported on a “net” basis (broker by broker) or on a “gross” basis. Balances with a broker or dealer must not be netted against those with its *affiliated* company.
3. **Line 1** - For definition, see General Notes and Definitions.
Margin on such balances should be provided as follows:
 - (i) Trades settling through a Net Settlement system should be treated as if the other party to the trade was an *acceptable institution*. For example, CNS balances with *CDS*, and CNS balances with National Securities Clearing Corporation.
 - (ii) All transactions done through *CDS* outside of the CNS system should be treated as if with a single counterparty to be classified as an *acceptable counterparty* (even if some or all of the other parties qualify as an *acceptable institution*).
 - (iii) Other trades settling on a transaction by transaction basis should be treated as if they were to be settled directly with the other party to the trade. For example, balances arising from trades settled through National Securities Clearing Corporation’s Netted Balance Order or Trade-for-Trade Services, and balances arising from trades settled through Euroclear and Cedel.
4. **Line 2** - This line is not to include non-arms’ length transactions which are to be reported on Line 3. For definition of “*regulated entities*”, see General Notes and Definitions. Margin on balances with *regulated entities* must be provided as follows:
 - (i) In the case of a *regular settlement date* transaction in the account of a *regulated entity* the amount of margin to be provided, commencing on *regular settlement date*, shall be the equity deficiency of (a) the net *market value* of all settlement date security positions in the broker’s accounts, and (b) the net money balance on a settlement date basis in the same accounts. In the case of an *extended settlement date* transaction between a *Member* and a *regulated entity*, commencing on *regular settlement date* the position shall be marked to market if the original term of the extended settlement transaction is 30 days or less, otherwise the position should be margined at applicable rates.
 - (ii) Any transaction which has not been confirmed by a *regulated entity* within 15 *business days* of the trade date shall be margined.
5. **Line 3(a)** - Margin must be provided as outlined for *regulated entities* in note 4 above.
6. **Line 3(b)** - If the *affiliated/related company* qualifies as a *regulated entity*, then margin must be provided as outlined for *regulated entities* in note 4 above.
If the *affiliated/related company* qualifies as an *acceptable counterparty*, then margin must be provided in the manner outlined in Schedule 4 Notes and Instructions for *acceptable counterparties*.
If neither of the above, then margin must be provided in the manner outlined in Schedule 4 Notes and Instructions for regular clients’ accounts.
7. **Line 4(a)** - All balances must be margined in the same way as accounts of *acceptable counterparties* (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, *options* and short sale deposits should also be reported on this line. This line should also include balances with approved *inter-dealer bond brokers*.
Approved *inter-dealer bond brokers* are those inter-dealer bond dealers that are approved by ~~the Corporation~~ *IROC* and the Bourse de Montréal Inc. The list of approved *inter-dealer bond brokers* will be published from time to time through the issuance of a regulatory notice.
8. **Line 4(b)** - All balances must be margined in the same way as regular clients’ accounts (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, *options* and short sale deposits should also be reported on this line. This line should also include balances with *inter-dealer bond brokers* which are not on the list of approved *inter-dealer bond brokers*.
9. **Line 5** - This line is to include balances arising from mutual fund redemptions or purchase transactions. All balances must be margined in the same way as accounts of *acceptable counterparties*, or as regular client accounts.

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FORM 1, PART II – SCHEDULE 6A

DATE: _____

(Dealer Member Name)

TAX RECOVERIES

C\$'000

A. TAX RECOVERY FOR RISK ADJUSTED CAPITAL

1. Sch. 6, Income tax expense (recovery) [must be greater than 0, else N/A]
Line 5 _____
2. A-21 Commission and/or fees receivable (non allowable assets) of \$_____ multiplied
by an effective corporate tax rate of _____% _____
3. TAX RECOVERY - ASSETS [100% of lesser of Lines 1 and 2] _____
4. Balance of current income tax expense available for margin and securities
concentration charge tax recovery [Line 1 minus Line 3] _____
5. Recoverable taxes from preceding three years of \$_____ net of current year tax
recovery (if applicable) of \$_____ _____
6. Total available for margin tax recovery [Line 4 plus Line 5] _____
7. B-24 **Total margin required** of \$_____ multiplied by an effective corporate tax rate of
_____% _____
8. TAX RECOVERY - MARGIN [75% of lesser of Lines 6 and 7] _____
9. TOTAL TAX RECOVERY BEFORE TAX RECOVERY ON SECURITIES CONCENTRATION CHARGE [Line
3 plus Line 8] _____
B-26
10. Balance of taxes available for securities concentration charge tax recovery [Line 6
minus Line 8, must be greater than 0, else N/A] _____
11. Sch. 9 Total securities concentration charge of \$_____ multiplied by an effective
corporate tax rate of _____% _____
12. TAX RECOVERY - SECURITIES CONCENTRATION CHARGE [75% of lesser of Lines 10 and 11] _____
B-28
13. TOTAL TAX RECOVERY RAC [Line 3 plus Line 8 plus Line 12] _____
C-3

B. TAX RECOVERY FOR EARLY WARNING CALCULATION:

1. Sch. 6, Income tax expense (recovery) [must be greater than 0, else N/A]
Line 5 _____
2. A-15 Commission and/or fees receivable (allowable assets) _____
3. A-21 Commission and/or fees receivable (non allowable assets) _____
4. SUBTOTAL [Line 2 plus Line 3] _____
5. Line 4 multiplied by an effective corporate tax rate of _____% _____
6. TAX RECOVERY - INCOME ACCRUALS [100% of lesser of Lines 1 and 5] _____
C-10

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 6A
NOTES AND INSTRUCTIONS

SECTION A - ASSETS: The purpose of this calculation is to tax effect identifiable revenue related receivables which have been classified as non allowable assets for capital purposes. In other words, the calculation gives recognition to the fact that in recording the receivable the *Dealer Member* generated revenue against which a tax provision has been set up.

SECTION A - MARGIN: The purpose of this calculation is to reduce the provision for contingent market losses on client and inventory positions (i.e. margin) by the appropriate allowance for taxes recoverable in the event of realization of such a market loss.

Line A1 - If the *Dealer Member* has no income tax expense due to being in a net tax recovery position, then no tax recovery on assets is allowed for RAC purposes.

Line A3 - If the *Dealer Member* has no income tax expense, then insert N/A on this line.

Line A5 - The balance reported as the recoverable taxes from preceding three years should be the total taxes paid in the three preceding years, hence available for recovery. If the *Dealer Member* has reported a balance on Line A1 above, then no balance should be reported as the current year tax recovery on this line.

Line B1 - If the *Dealer Member* has no income tax expense due to being in a net tax recovery position, then no tax recovery on income accruals is allowed for Early Warning purposes.

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FORM 1, PART II – SCHEDULE 7

NOTES AND INSTRUCTIONS

1. This schedule is to be completed for loan payable transactions, whereby the stated purpose of the transaction is to borrow cash. All security lending transactions and financing transactions done via 2 trade tickets, including securities repurchases and those with related parties, should also be disclosed on this schedule.
2. For the purpose of this schedule,
 - (a) "cash ~~loans~~loan payable" ~~are~~is a loan ~~transactions~~transaction where the purpose of the loan is for the *Dealer Member* to borrow cash and deliver securities as collateral to the counterparty;
 - (b) "excess collateral deficiency" is defined as:
 - (i) For a cash ~~loans~~loan payable, any excess of the *market value* of the actual collateral delivered to the transaction counterparty over 102% the amount of the loan;
 - or
 - (ii) For a securities loan ~~arrangements~~arrangement, any excess of the *market value* of the securities loaned over the *market value* of securities or the amount of cash received from the transaction counterparty as collateral.and
 - (c) "securities loan ~~arrangements~~arrangement" ~~are~~is a loan ~~transactions~~transaction where the purpose of the loan is for the *Dealer Member* to lend securities and receive cash or securities as collateral from the counterparty.
3. Include accrued interest in amount of loan payable.
4. *Market value* of securities received or delivered as collateral should include accrued interest.
5. **Cash loans payable**

(a) Written agreement requirements

Any written agreement for a cash loan payable between the *Dealer Member* and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

(b) Margin requirements

The margin requirements for a cash loan payable are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in Note 5(a), the margin required shall be:
 - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
 - (B) 100% of the *market value* of the actual collateral provided to the transaction counterparty.
- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 5(a), the margin required to be provided shall be determined according to the following table:

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FORM 1, PART II – SCHEDULE 7
NOTES AND INSTRUCTIONS [Continued]

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin ¹
<i>Acceptable counterparty</i>	Excess collateral deficiency ¹
<i>Regulated entity</i>	Excess collateral deficiency ¹
Other	Margin
¹ Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.	

6. Securities loan arrangements

(a) Written agreement requirements

Any written agreement for a securities loan arrangement between the *Dealer Member* and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities loaned or provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

(b) Additional written agreement requirements for certain agency agreements

Agency agreements where agent may be treated as equivalent to principal

Any written collateral management or custodial agreement involving a securities loan arrangement between the *Dealer Member* and a third party custodian, which is acting as an agent, may be reported and treated in the same manner for margin purposes as the equivalent principal securities loan arrangement between the *Dealer Member* and the third party custodian, if all of the following additional terms [i.e. over and above those set out in Note 6(a)] are stipulated in the written agreement:

- (i) the loan collateral must be held by the third party custodian agent and if the loan collateral is made up of securities there must be no right to re-hypothecate those securities; and
- (ii) in the event of the underlying principal borrower default, the loan collateral that has been posted with the third party custodian agent will be liquidated by the third party custodian agent and proceeds used to purchase the loaned security which will be returned to the *Dealer Member*. If the loaned security cannot be purchased in the market, its equivalent value is returned to the *Dealer Member*. Any excess value on the realization on the loan collateral will be returned by the third party custodian agent to the underlying principal borrower; and
- (iii) the third party custodian agent must meet the definition of “financial intermediary” in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act).

Agency agreements where agent must not be treated as equivalent to principal

Where these additional terms [(i),(ii) and (iii) immediately above] are not all present or the arrangement does not involve an agent that is acting as a third party custodian, the *Dealer Member* must look through the agent in the agency arrangement to the underlying principal borrower and the agency arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal securities lending arrangement between the *Dealer Member* and the underlying principal borrower.

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FORM 1, PART II – SCHEDULE 7
NOTES AND INSTRUCTIONS [Continued]

(c) Margin requirements

The margin requirements for a securities loan arrangement are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in Note 6(a), the margin required shall be:
 - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
 - (B) 100% of the *market value* of the securities loaned to the transaction counterparty.
- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 6(a), for margin purposes:
 - (A) For principal arrangements, the counterparty is the principal in the arrangement,
 - (B) For agency arrangements, where a third party custodian agent is involved and all of the additional required minimum terms in Note 6(b) are present, the counterparty is the third party custodian,
 - (C) For agency arrangements, where all of the additional required minimum terms in Note 6(b) are not present or the arrangement does not involve an agent that is acting as a third party custodian, the counterparty is the underlying principal borrower,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin ¹
<i>Acceptable counterparty</i>	Excess collateral deficiency ¹
<i>Regulated entity</i>	Excess collateral deficiency ¹
Other	Margin
¹ Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.	

7. Securities repurchase agreements

(a) Written agreement requirements

Any written agreement for a securities *repurchase agreement* between the *Dealer Member* and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default,
- (ii) For events of default,
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party,
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority,
- (v) If set-off rights or security interests are created in securities sold or loaned by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions; and
- (vi) For an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the securities at any time.

(b) Margin requirements

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FORM 1, PART II – SCHEDULE 7
NOTES AND INSTRUCTIONS [Continued]

The margin requirements for a securities *repurchase agreement* are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms, the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required based on term of transaction	
	30 calendar days or less after regular settlement ¹	Greater than calendar 30 days after regular settlement ¹
<i>Acceptable institution</i>	No margin ²	
<i>Acceptable counterparty</i>	<i>Market value</i> deficiency ²	Margin
<i>Regulated entity</i>	<i>Market value</i> deficiency ²	Margin
Other	Margin	200% of margin (to a maximum of the <i>market value</i> of the underlying securities)
¹ Regular settlement means the settlement date or delivery date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs. Margin is calculated from the date of regular settlement. Calendar days refer to the original term of the repurchase transaction. ² Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.		

- (ii) Where a written agreement has been entered into that includes all of the required minimum terms, the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin ¹
<i>Acceptable counterparty</i>	<i>Market value</i> deficiency ¹
<i>Regulated entity</i>	<i>Market value</i> deficiency ¹
Other	Margin
¹ Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 <i>business days</i> of the trade shall be margined.	

8. For any given counterparty a deficiency in one type of loan may be offset by an excess in another type of loan provided that there are written agreements for each type of loan which provide for the right of offset between each type of loan. In such case, the balances may also be offset for margin calculation purposes.
9. In order for a pension fund to be treated as an *acceptable institution* for purposes of this Schedule, it must not only meet the *acceptable institution* criteria outlined in General Notes and Definitions, but the *Dealer Member* must also have received representation that the pension fund is legally able to enter into the obligations of the transaction. If such representation has not been received, the pension fund which otherwise meets the *acceptable institution* criteria must be treated as an *acceptable counterparty*.
10. **Lines 3, 4, 7 and 8** - In the case of a cash loan payable or a securities loan arrangement between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, where an *excess collateral deficiency* exists, action must be taken to correct the deficiency. If no action is taken, the amount of *excess collateral deficiency* must be immediately provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day* it must be provided out of the *Dealer Member's* capital.
11. **Lines 11 and 12** - In the case of a repurchase transaction between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, where a deficiency exists between the *market value* of the securities repurchased and the *market value* of the cash received, action must be taken to correct the deficiency. If no action is taken the amount of *market value* deficiency must be

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FORM 1, PART II – SCHEDULE 7
NOTES AND INSTRUCTIONS [Continued]

immediately provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

12. **Lines 5, 9 and 13** - In the case of a cash loan payable or a securities loan or a repurchase arrangement / transaction between a *Dealer Member* and a party other than an *acceptable institution, acceptable counterparty* or *regulated entity*, where a deficiency exists between the loan value of the cash received or securities lent or repurchased and the loan value of the collateral or cash pledged, action must be taken to correct the deficiency. If no action is taken the amount of loan value deficiency must be immediately provided out of the *Dealer Member's* capital. The margin required may be reduced by any margin already provided on the collateral (e.g. in inventory). Where the collateral is either held by the *Dealer Member* on a fully segregated basis or held in escrow on its behalf by an Acceptable Depository or a bank or trust company qualifying as either an *acceptable institution* or *acceptable counterparty*, only the amount of *market value* deficiency need be provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.
13. **Lines 2, 3 and 4** - In a cash loan payable transaction between a *Dealer Member* and an *acceptable institution, acceptable counterparty, or regulated entity*, where a letter of credit issued by a Schedule 1 Bank is used as collateral for the cash loan, there shall be no charge to the *Dealer Member's* capital for any excess of the value of the letter of credit pledged as collateral over the cash borrowed.
14. **Lines 5, 9, and 13** - Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in Note 6(b) whereby an *acceptable institution, acceptable counterparty, or regulated entity* is only acting as an agent (on behalf of an "other" party) should be reported and margined as "Others".

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FORM 1, PART II – SCHEDULE 7A

DATE: _____

(Dealer Member Name)

CASH AND SECURITIES BORROWING AND LENDING ARRANGEMENTS CONCENTRATION CHARGE

C\$'000

1. Sch. 1, *Market value* deficiency amount relating to loans receivable from *acceptable counterparties*, net of legal
Line 2 offsets and margin already provided _____
2. Sch. 1, *Market value* deficiency amount relating to loans receivable from *regulated entities*, net of legal offsets
Line 3 and margin already provided _____
3. Sch. 1, *Market value* deficiency amount relating to securities borrowed from *acceptable counterparties*, net of
Line 6 legal offsets and margin already provided _____
4. Sch. 1, *Market value* deficiency amount relating to securities borrowed from regulated entities, net of legal
Line 7 offsets and margin already provided _____
5. Sch. 7, *Market value* deficiency amount relating to loans payable to *acceptable counterparties*, net of legal
Line 3 offsets and margin already provided _____
6. Sch. 7, *Market value* deficiency amount relating to loans payable to regulated entities, net of legal offsets and
Line 4 margin already provided _____
7. Sch. 7, *Market value* deficiency amount relating to securities lent to acceptable counterparties, net of legal
Line 7 offsets and margin already provided _____
8. Sch. 7, *Market value* deficiency amount relating to securities lent to regulated entities, net of legal offsets and
Line 8 margin already provided _____
9. TOTAL MARKET VALUE DEFICIENCY EXPOSURE WITH ACCEPTABLE COUNTERPARTIES AND REGULATED ENTITIES,
NET OF LEGAL OFFSETS AND MARGIN ALREADY PROVIDED [Sum of Lines 1 to 8] _____
10. CONCENTRATION THRESHOLD – 100% OF NET ALLOWABLE ASSETS _____
11. CONCENTRATION CHARGE [Excess of Line 9 over Line 10, otherwise NIL] _____

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APPENDIX B

IIROC Notice 19-0180– Notice of Approval/Implementation – Dealer Member Rules – Housekeeping amendments to Form 1 for use in, and consistency, with the Plain Language Dealer Member Rules Rule Book

~~Mar-2019~~ Jun-2020

FORM 1, PART II – SCHEDULE 9

DATE: _____

(Dealer Member Name)

CONCENTRATION OF SECURITIES

[excluding securities required to be in *segregation* or *safekeeping* & debt securities with a margin rate of 10% or less (see note 5)]

[illegible]

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[See notes and instructions]

~~Feb-2011~~ Jun-2020

FORM 1, PART II – SCHEDULE 9
NOTES AND INSTRUCTIONS

General

1. The purpose of this schedule is to disclose the largest ten issuer positions and precious metal positions that are being relied upon for loan value whether or not a concentration charge applies. If there are more than ten issuer positions and precious metal positions where a concentration exposure exists, then all such positions must be listed on the schedule.
2. For the purpose of this schedule, an issuer position must include all classes of securities for an issuer (i.e. all long and short positions in equity, convertibles, debt or other securities of an issuer other than debt securities with a normal margin requirement of 10% or less), a precious metal position must include all certificates and bullion of the particular precious metal (gold, platinum or silver) where:
 - loan value is being extended in a margin account, cash account, delivery against payment account, receipt against payment account; or
 - an inventory position is being held.
3. Securities and precious metals that are required to be in *segregation* or *safekeeping* should not be included in the issuer position or precious metal position. Securities and precious metals that have been segregated, but are not required to be, can still be relied on by the *Dealer Member* for loan value, and must be included in the issuer position and precious metal position.
4. For the purpose of this schedule, an amount loaned exposure to *broad based index* positions may be treated as an amount loaned exposure to each of the individual securities comprising the index basket. These amount loaned exposures may be reported by breaking down the *broad based index* position into its constituent security positions and adding these constituent security positions to other amount loaned exposures for the same issuer to arrive at the combined amount loaned exposure.

To calculate the combined amount loaned exposure for each index constituent security position held, sum

 - a) the individual security positions held, and
 - b) the constituent security position held.

[For example, if ABC security has a 7.3% weighting in a *broad based index*, the number of securities that represents 7.3% of the value of the *broad based index* position shall be reported as the constituent security position.]
5. For the purpose of this schedule only, stripped coupons and residuals, [if they are held on a book based system, and are in respect of federal and provincial debt instruments], should be margined at the same rate as the underlying security.
6. For short positions, the loan value is the *market value* of the short position.

Client position

7. (a) Client positions are to be reported on a settlement date basis for client accounts including positions in margin accounts, regular cash accounts [when any transaction in the account is outstanding after settlement date] and delivery against payment and receipt against payment accounts [when any transaction in the account is outstanding after settlement date]. Within each client account, security positions and precious metal positions that qualify for a margin offset may be eliminated.
- (b) Positions in delivery against payment and receipt against payment accounts with *acceptable institutions*, *acceptable counterparties*, or *regulated entities* resulting from transactions that are outstanding less than ten *business days* past settlement date are not to be included in the positions reported. If the transaction has been outstanding ten *business days* or more past settlement and is not confirmed by clearing through an *acceptable clearing corporation* or not confirmed by the *acceptable institution*, *acceptable counterparty* or *regulated entity*, then the position must be included in the position reported.

Dealer Member's own position

8. (a) *Dealer Member's* own inventory positions are to be reported on a trade date basis, including new issue positions carried in inventory twenty *business days* after new issue settlement date. All security positions that qualify for a margin offset may be eliminated.
- (b) The amount reported must include uncovered stock positions in market-maker accounts.

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FORM 1, PART II – SCHEDULE 9
NOTES AND INSTRUCTIONS [Continued]

Amount Loaned

9. The client and *Dealer Member's* own positions reported are to be determined based on the combined client/*Dealer Member's* own long or short position that results in the largest amount loaned exposure.
- (a) To calculate the combined amount loaned on the long position exposure, combine:
- the loan value of the gross long client position (if any) contained within client margin accounts;
 - the weighted *market value* (calculated pursuant to the weighted *market value* calculation set out in Schedule 4, Note 9, Cash Accounts Instruction (a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, Note 9, Cash Accounts Instruction (b)) of the gross long client position (if any) contained within client cash accounts;
 - the *market value* (calculated pursuant to the *market value* calculation set out in Schedule 4, Note 9, DAP and RAP Accounts Instruction (a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, Note 9, DAP and RAP Accounts Instruction (b)) of the gross long client position (if any) contained within client delivery against payment accounts; and
 - the loan value (calculated pursuant to the Notes and Instructions to Schedule 2) of the net long *Dealer Member's* own position (if any).
- (b) To calculate the combined amount loaned on the short position exposure, combine:
- the *market value* of the gross short client position (if any) contained within client margin, cash and receipt against payment accounts; and
 - the *market value* of the net short *Dealer Member's* own position (if any).
- (c) If the loan value of an issuer position or a precious metal position (net of issuer securities or precious metal position required to be in *segregation/safekeeping*) does not exceed one-half (one-third in the case of an issuer position or precious metal position which qualifies under either Note 10(a) or 10(b) below) of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7) as most recently calculated, the completion of the column titled "Adjustments in arriving at Amount Loaned" is optional. However, nil should be reflected for the concentration charge.
- (d) In determining the amount loaned on either a long, or short position exposure, the following adjustments may be made:
- (i) Security positions and precious metal positions that qualify for a margin offset may be excluded, as previously discussed in notes 7(a) and 8(a);
 - (ii) Security positions and precious metal positions that represent excess margin in the client's account may be excluded. (Note if the starting point of the calculations is securities or precious metal positions not required to be in *segregation/safekeeping*, this deduction has already been included in the loan value calculation of Column 6.);
 - (iii) In the case of margin accounts, 25% of the *market value* of long positions in any: (a) non-marginable securities or, (b) securities with a margin rate of 100%, in the account may be deducted from the amount loaned calculation, provided that such securities are carried in readily saleable quantities only;
 - (iv) In the case of cash accounts, 25% of the *market value* of long positions in any securities whose *market value* weighting is 0.000 (pursuant to Schedule 4, Note 9, Cash Accounts Instruction (a)) in the account may be deducted from the amount loaned calculation, provided that such securities are carried in readily saleable quantities only;
 - (v) The amount loaned values of trades made with financial institutions that are not *acceptable institutions*, *acceptable counterparties* or *regulated entities*, if the trades are outstanding less than 10 *business days* past settlement date, and the trades were confirmed on or before settlement date with a settlement agent that is an *acceptable institution* may be deducted from the amount loaned calculation; and
 - (vi) Any security positions or precious metal positions in the client's (the "Guarantor") account, which are used to reduce the margin required in another account pursuant to the terms of a *guarantee* agreement, shall be included in calculating the amount loaned on each security for the purposes of the Guarantor's account.

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APPENDIX B

FORM 1, PART II – SCHEDULE 9
NOTES AND INSTRUCTIONS [Continued]

- (e) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.

Concentration Charge

10. (a) Where the Amount Loaned reported relates to securities issued by
- (i) the *Dealer Member*, or
 - (ii) a company, where the accounts of a *Dealer Member* are included in the consolidated financial statements and where the assets and revenue of the *Dealer Member* constitute more than 50% of the consolidated assets and 50% of the consolidated revenue, respectively, of the company, based on the amounts shown in the audited consolidated financial statements of the company and the *Dealer Member* for the preceding fiscal year and the total Amount Loaned by a *Dealer Member* on such issuer securities exceeds one-third of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over one-third of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7) is required unless the excess is cleared within five *business days* of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.
- (b) Where the Amount Loaned reported relates to non-marginable securities of an issuer held in a cash account(s), where loan value has been extended pursuant to the weighted *market value* calculation set out in Schedule 4, Note 9, and the total Amount Loaned by a *Dealer Member* on such issuer securities exceeds one-third of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over one-third of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7) is required unless the excess is cleared within five *business days* of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.
- (c) Where the Amount Loaned reported relates to arm's length marginable securities of an issuer (i.e., securities other than those described in note 10(a), or 10(b)) or a precious metal position, and the total Amount Loaned by a *Dealer Member* on such issuer securities or precious metal position exceeds two-thirds of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over two-thirds of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7) is required unless the excess is cleared within five *business days* of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) or precious metal position for which such charge is incurred.
- (d) Where:
- (i) The *Dealer Member* has incurred a concentration charge for an issuer position under either note 10(a) or 10(b) or 10(c); or
 - (ii) The Amount Loaned by a *Dealer Member* on any one issuer (other than issuers whose securities may be subject to a concentration charge under either Note 10(a) or 10(b) above) or a precious metal position exceeds one-half of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7), as most recently calculated; and
 - (iii) The Amount Loaned on any other issuer or precious metal position exceeds one-half (one-third in the case of issuers whose securities may be subject to a concentration charge under either Note 10(a) or 10(b) above) of the sum of *Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7); then
 - (iv) A concentration charge on such other issuer position or precious metal position of an amount equal to 150% of the excess of the Amount Loaned on the other issuer or precious metal position over one-half (one-third in the case of issuers whose securities may be subject to a concentration charge under either Note 10(a) or 10(b) above) of the sum of the *Dealer Member's Risk Adjusted Capital* before securities concentration charge and minimum capital (Stmt. B, Line 7) is required unless the excess is cleared within five *business days* of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the security(ies) or precious metal position for which such charge is incurred.

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APPENDIX B

FORM 1, PART II – SCHEDULE 9

NOTES AND INSTRUCTIONS [Continued]

- (e) For the purpose of calculating the concentration charges as required by notes 10(a), 10(b), 10(c) and 10(d) above, such calculations shall be performed for the largest five issuer positions and precious metal positions by Amount Loaned in which there is a concentration exposure.

Other

- 11. (a) Where there is an over exposure in a security or a precious metal position and the concentration charge as referred to above would produce either a capital deficiency or a violation of the Early Warning Rule, the *Dealer Member* must report the over exposure situation to ~~the Corporation~~ IIROC on the date the over exposure first occurs.
- (b) A measure of discretion is left with ~~the Corporation~~ IIROC in dealing with the resolution of concentration situations, particularly as regards to time requirements for correcting any over exposure, as well as whether securities or precious metal positions are carried in “readily saleable quantities”.

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APPENDIX B

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FORM 1, PART II – SCHEDULE 10

DATE: _____

(Dealer Member Name)

INSURANCE

A. FINANCIAL INSTITUTION BOND (FIB) CLAUSES (A) TO (E)

C\$'000

1. Coverage required for FIB _____
- (a) Client Net Equity: _____
- i) *Dealer Member's own* _____
- ii) *Carrying brokers' introducing brokers* _____
- Total _____ x 1%* _____ [Note 3]
- (b) Total Liquid Assets (A-12) _____
- Total Other Allowable Assets (A-18) _____
- Total _____ x 1%* _____

The actual coverage required for each clause is the Greater of (a) and (b), with a Minimum Requirement of \$500,000 (\$200,000 for a Type 1 *Introducing Broker*), and a Maximum Requirement of \$25,000,000.

*based on one half of one percent for Types 1 and 2 *Introducing Brokers*

2. Coverage maintained per FIB _____ [Notes 4 and 8]
3. Excess / (Deficiency) in coverage _____ [Note 5]
4. Amount deductible under FIB (if any) _____ [Note 6]
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B. REGISTERED MAIL INSURANCE

1. Coverage per mail policy _____ [Note 7]

C. FIB AND REGISTERED MAIL POLICY INFORMATION [Note 9]

Insurance company	Name of the insured	FIB/ registered mail	Expiry date	Coverage	Type of aggregate limit	Provision for full reinstatement	Premium
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

D. LOSSES AND CLAIMS [Note 10]

Date of loss	Date of discovery	Amount of loss	Deductible applying to loss	Description	Claim made?	Settlement	Date settled
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

[See notes and instructions]

~~Feb-2011~~ Jun-2020

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FORM 1, PART II – SCHEDULE 10

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 10
NOTES AND INSTRUCTIONS

1. *Dealer Members* must maintain minimum insurance in type and amounts as outlined in the rules of ~~the Corporation~~ [IIROC](#) and the *Canadian Investor Protection Fund*.
2. Schedule 10 must be completed at the audit date and monthly as part of the Monthly Financial Report.
3. Net equity for each client is the total value of cash, securities, and other acceptable property owed to the client by the *Dealer Member* less the value of cash, securities, and other acceptable property owed by the client to the *Dealer Member*. In determining net equity, accounts of a client such as cash, margin, short sale, *options*, futures, foreign currency and Quebec Stock Savings Plans are combined and treated as one account. Accounts such as RRSP, RRIF, RESP, Joint accounts are not combined with other accounts and are treated as separate accounts. Other acceptable property means London Bullion Market Association good delivery bars of gold and silver bullion that are acceptable for margin purposes as defined in ~~Dealer Member Rule 100.2(i)(ii)~~ [section 5430](#).
Net equity is determined on a client by client basis on either a settlement date basis or trade date basis. Schedule 10 Part A, Line 1(a) is the aggregate net equity for each client. Negative client net equity, (i.e. total deficiency in net equity owed to the *Dealer Member* by the client) is not included in the aggregate.
For Schedule 10, *guarantee*/guarantor agreements should not be considered in the calculation of net equity.
The Client Net Equity calculation should include all retail and *institutional client* accounts, as well as accounts of broker dealers, repos, loan post, broker syndicates, *affiliates* and other similar accounts.
4. The amounts of insurance required to be maintained by a *Dealer Member* shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement.
For Financial Institution Bond policies containing an “aggregate limit” coverage, the actual coverage maintained should be reduced by the amount of reported loss claims, if any, during the policy period.
5. The Certificate of UDP and CFO in Form 1 contains a question pertaining to the adequacy of insurance coverage. The Auditors’ Report requires the auditor to state that the question has been fairly answered. ~~The rules also state: “Should there be insufficient coverage, a Dealer Member shall be deemed to be complying with Rule 17.5 and this Rule 400 provided that any such deficiency does not exceed 10 percent of the insurance requirement and that evidence is furnished.”~~ [Section 4461](#) also states: “If a *Dealer Member* has less coverage than the calculated minimum insurance requirement coverage and the deficiency: (i) is less than 10% of the minimum insurance requirement, the *Dealer Member* must correct the deficiency within two months of the ~~dates of completion~~ [filing date](#) of the monthly financial report ~~and the annual audit that the deficiency has been corrected.~~ If the deficiency ~~within which the deficiency was reported, or (ii)~~ is 10% or more of the insurance requirement, ~~action must be taken by the Dealer Member to~~ [must promptly notify IIROC and](#) correct the deficiency within 10 days of ~~its determination and the Dealer Member shall immediately notify the Corporation identifying it.~~”
6. A Financial Institution Bond maintained pursuant to the rules may contain a clause or rider stating that all claims made under the bond are subject to a deductible, provided that the *Dealer Member’s* margin requirement is increased by the amount of the deductible.
7. Unless specifically exempted within the rules of ~~the Corporation~~ [IIROC](#), every *Dealer Member* shall effect and keep in force mail insurance against loss arising by reason of any outgoing shipments of money or securities, negotiable or non-negotiable, by first-class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100% cover.
8. The aggregate value of securities in transit in the custody of any *employee* or any *person* acting as a messenger shall not at any time exceed the coverage per the Financial Institution Bond (Statement 10, Line 2).
9. List all Financial Institution Bond and Registered Mail underwriters, policies, coverage and premiums indicating their expiry dates. State type of aggregate limits, if applicable, or note that provision for full reinstatement exists.
10. List all losses reported to the insurers or their authorized representatives including those losses that are less than the amount of the deductible. Do not include lost document bond claims. Indicate in the “Amount of Loss” column if the amount of the loss is estimated or unknown as at the reporting date.
Losses should continue to be reported on Schedule 10 Part D until resolved. In the reporting period where a claim has been settled or a decision has been made not to pursue a claim, the loss should be listed along with the amount of the settlement, if any.
At the annual audit date, list all unsettled claims, whether or not the claims were initiated in the period under audit. In addition, list all losses and claims identified in the current or previous periods that have been settled during the period under audit.

~~Feb-2011~~ [Jun-2020](#)

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FORM 1, PART II – SCHEDULE 11A

DATE: _____

(Dealer Member Name)

**DETAILS OF UNHEDGED FOREIGN CURRENCIES CALCULATION FOR INDIVIDUAL CURRENCIES WITH MARGIN REQUIRED
GREATER THAN OR EQUAL TO \$5,000**

Foreign Currency: _____

Margin Group: _____

	AMOUNT	WEIGHTED VALUE	MARGIN REQUIRED
BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS <= TWO YEARS TO MATURITY			
1. Total monetary assets	_____	_____	_____
2. Total long forward / <i>futures contract</i> positions	_____	_____	_____
3. Total monetary liabilities	_____	_____	_____
4. Total (short) forward / <i>futures contract</i> positions	_____	_____	_____
5. Net long (short) foreign exchange positions	_____	_____	_____
6. Net weighted value	_____	_____	_____
7. Net weighted value multiplied by term risk for Group ____ of ____%	_____	_____	_____

BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS > TWO YEARS TO MATURITY			
8. Total monetary assets	_____	_____	_____
9. Total long forward / <i>futures contract</i> positions	_____	_____	_____
10. Total monetary liabilities	_____	_____	_____
11. Total (short) forward / <i>futures contract</i> positions	_____	_____	_____
12. Net long (short) foreign exchange positions	_____	_____	_____
13. Greater of long or (short) weighted values	_____	_____	_____
14. Net weighted value multiplied by term risk for Group ____ of ____%	_____	_____	_____

FOREIGN EXCHANGE MARGIN REQUIREMENTS			
15. Net long (short) foreign exchange positions	_____	_____	_____
16. Net foreign exchange position multiplied by spot risk for Group ____ of ____%	_____	_____	_____
17. Total term risk and spot risk margin requirement	_____	_____	_____
18. Spot rate at reporting date	_____	_____	_____
19. Margin requirement converted to Canadian dollars	_____	_____	_____

FOREIGN EXCHANGE CONCENTRATION CHARGE			
20. Total foreign exchange margin (Line 19) in excess of 25% of net allowable assets less minimum capital [not applicable to Group 1]	_____	_____	_____
TOTAL FOREIGN EXCHANGE MARGIN FOR (Currency):	_____	_____	_____

Sch. 11

[See notes and instructions]

~~Jul-2013~~ Jun-2020

APPENDIX B

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FORM 1, PART II – SCHEDULE 12

DATE: _____

(Dealer Member's Name)

MARGIN ON FUTURES CONCENTRATIONS AND DEPOSITS

(refer to notes and instructions)

**Margin required
C\$'000**

- | | | |
|----|---|-------|
| 1. | Total open <i>futures contract</i> and short <i>futures contract option</i> positions | _____ |
| 2. | Concentration in individual accounts | _____ |
| 3. | Concentration in individual open <i>futures contracts</i> and short <i>futures contract options</i> | _____ |
| 4. | Deposits with <i>correspondent brokers</i> | _____ |
| 5. | TOTAL <i>[lines 1 through 4]</i> | _____ |

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[See notes and instructions]

~~Apr-2017~~ Jun-2020

APPENDIX B

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FORM 1, PART II – SCHEDULE 13

DATE: _____

(Dealer Member Name)

EARLY WARNING TESTS - LEVEL 1

C\$'000

A. LIQUIDITY TEST

Is **Early Warning Reserve** (Stmt. C, Line 13) less than 0?

YES/NO

B. CAPITAL TEST

1. **Risk Adjusted Capital** (RAC) [Stmt. B, Line 29]

2. **Total Margin Required** [Stmt. B, Line 24] multiplied by 5%

Is Line 1 less than Line 2?

YES/NO

C. PROFITABILITY TEST #1

	Months	Profit or loss for 6 months ending with current month [note 2] C\$'000	Profit or loss for 6 months ending with preceding month [note 2] C\$'000
1. Current month	_____	_____	_____
2. Preceding month	_____	_____	_____
3. 3rd month	_____	_____	_____
4. 4th month	_____	_____	_____
5. 5th month	_____	_____	_____
6. 6th month	_____	_____	_____
7. 7th month	_____	_____	_____
8. TOTAL [note 3]	_____	_____	_____
9. AVERAGE multiplied by -1	_____	_____	_____
10A. RAC [at Form 1 date]	_____	_____	_____
10B. RAC [at preceding month end]	_____	_____	_____
11A. Line 10A divided by Line 9	_____	_____	_____
11B. Line 10B divided by Line 9	_____	_____	_____

Are both of the following conditions true:

- Line 11A is greater than or equal to 3 but less than 6, and
- Line 11B less than 6?

YES/NO

D. PROFITABILITY TEST #2

1. Loss for current month [notes 2 and 4] multiplied by -6

2. RAC [at Form 1 date]

Is Line 2 less than Line 1?

YES/NO

[See notes and instructions]

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APPENDIX B

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FORM 1, PART II – SCHEDULE 13A

DATE: _____

(Dealer Member Name)

EARLY WARNING TESTS - LEVEL 2

C\$'000

A. LIQUIDITY TEST

Is **Early Warning Excess** (Stmt. C, Line 11) less than 0?

YES/NO

B. CAPITAL TEST

1. **Risk Adjusted Capital** (RAC) [Stmt. B, Line 29]

2. **Total Margin Required** [Stmt. B, Line 24] multiplied by 2%

Is Line 1 less than Line 2?

YES/NO

C. PROFITABILITY TEST #1

Is Schedule 13, Line 11A less than 3 AND
Schedule 13, Line 11B less than 6?

YES/NO

D. PROFITABILITY TEST #2

1. Loss for current month [notes 2 and 4] multiplied by -3

2. RAC [at Form 1 date]

Is Line 2 less than Line 1?

YES/NO

E. PROFITABILITY TEST #3

Months

Profit or loss for 3
months ending
with current
month
[note 2]

C\$'000

1. Current month

2. Preceding month

3. 3rd month

4. TOTAL [note 5]

5. RAC [at Form 1 date]

Is loss on Line 4 greater than Line 5?

YES/NO

F. FREQUENCY PENALTY

Has **Dealer Member**:

1. Triggered Early Warning at least 3 times in the past 6 months or is RAC less than 0?

YES/NO

2. Triggered Liquidity or Capital Tests on Schedule 13?

YES/NO

3. Triggered Profitability Tests on Schedule 13?

YES/NO

4. Are Lines 2 and 3 **both** YES?

YES/NO

[See notes and instructions]

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FORM 1, PART II – SCHEDULES 13 AND 13A
NOTES AND INSTRUCTIONS

1. The objective of the various Early Warning Tests is to measure characteristics likely to identify a *Dealer Member* heading into financial trouble and to impose restrictions and *sanctions* to reduce further financial deterioration and prevent a subsequent capital deficiency. “Yes” answers indicate Early Warning has been triggered.

If the *Dealer Member* is currently capital deficient (i.e. *risk adjusted capital* is negative), only Part F of Schedule 13A need be completed. Schedule 13 and the remainder of Schedule 13A need not be completed.

2. The profit or loss figures to be used are before asset revaluation income and expense, interest on internal *subordinated debt*, bonuses, and income taxes [Statement E, Line 31 – Profit (loss) for Early Warning test]. Note that the “current month” figure must also reflect any audit adjustments made subsequent to the filing of the Monthly Financial Report (MFR). These adjustments must be reported on Schedule 13M.
3. If either or both of the calculated totals is a profit, no further calculation under this section C need be done.
4. If the balance is a profit, no further calculation under this section D need be done.
5. If the total is a profit, no further calculation under this section E need be done.

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DATE: _____

(Dealer Member Name)

PROVIDER OF CAPITAL CONCENTRATION CHARGE

(Name of Provider of Capital)

C\$'000**A. CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL**

1.	Cash on deposit with <i>provider of capital</i>	_____
2.	Cash, held in trust with <i>provider of capital</i> , due to free credit ratio calculation	_____
3.	Loans receivable - undersecured loans receivable from <i>provider of capital</i> relative to normal commercial terms	_____
4.	Loans receivable - secured loans receivable from <i>provider of capital</i> that are secured by investments in securities issued by the <i>provider of capital</i>	_____
5.	Securities borrowed - securities borrowing agreements with the <i>provider of capital</i> that are undersecured relative to normal commercial terms	_____
6.	Securities borrowed - secured securities borrowing agreements with the <i>provider of capital</i> that are secured by investments in securities issued by the <i>provider of capital</i>	_____
7.	Resale agreements - agreements with the <i>provider of capital</i> that are undersecured relative to normal commercial terms	_____
8.	Commissions and fees receivable from the <i>provider of capital</i>	_____
9.	Interest and dividends receivable from the <i>provider of capital</i>	_____
10.	Other receivables from the <i>provider of capital</i>	_____
11.	Loans payable - loans payable to the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms	_____
12.	Securities lent - agreements with the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms	_____
13.	<i>Repurchase agreements</i> - agreements with the <i>provider of capital</i> that are overcollateralized relative to normal commercial terms	_____
LESS:		_____
14.	Bank overdrafts with the <i>provider of capital</i>	_____
15.	TOTAL CASH DEPOSITS AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL	_____

B. CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL

1.	Investments in securities issued by the <i>provider of capital</i> (net of margin provided)	_____
LESS:		_____
2.	Loans payable to <i>provider of capital</i> that are linked to the assets above and are limited recourse	_____
3.	Securities issued by the <i>provider of capital</i> sold short provided they are used as part of a valid offset with the investments reported in Section B, Line 1 above	_____
4.	TOTAL INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL	_____

[See notes and instructions]

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DATE: _____

(Dealer Member Name)

PROVIDER OF CAPITAL CONCENTRATION CHARGE**C\$'000****C. CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL**

1. *Regulatory financial statement capital provided by the provider of capital* (including pro-rata share of reserves and retained earnings)

D. NET ALLOWABLE ASSETS

1. Net Allowable Assets

E. EXPOSURE TEST #1 - DOLLAR CAP ON CASH DEPOSITS AND UNDERSECURED LOANS

1. Sec. C, *Regulatory financial statement capital provided by the provider of capital*
Line 1
2. Sec. A, Cash deposits and undersecured loans with *provider of capital*
Line 15
3. *Regulatory financial statement capital* redeposited or lent back on an undersecured basis
[Minimum of Section E, Line 1 and Section E, Line 2]
4. Exposure threshold
5. Capital requirement [Excess of Section E, Line 3 over Section E, Line 4]

\$50,000

F. EXPOSURE TEST #2 - OVERALL CAP ON CASH DEPOSITS AND UNDERSECURED LOANS AND INVESTMENTS

1. Sec. C, *Regulatory financial statement capital provided by the provider of capital*
Line 1
2. Sec. A, Cash deposits and undersecured loans with *provider of capital*
Line 15
3. Sec. B, Investments in securities issued by the *provider of capital*
Line 4
4. Total cash deposits and undersecured loans and investments
[Section F, Line 2 plus Section F, Line 3]
5. *Regulatory financial statement capital* redeposited or lent back on an undersecured basis or invested in securities issued by the *provider of capital*
[Minimum of Section F, Line 1 and Section F, Line 4]

LESS:

6. Sec. E, Capital charge incurred under Exposure Test #1
Line 5
7. Net financial statement capital redeposited or lent back on an undersecured basis or invested in securities issued by the *provider of capital*
[Section F, Line 5 minus Section F, Line 6]
8. Exposure threshold being the greater of:
(a) Ten million dollars
(b) 20% of Net Allowable Assets [20% of Section D, Line 1]
9. Capital requirement [Excess of Section F, Line 7 over Section F, Line 8]
10. TOTAL PROVIDER OF CAPITAL CONCENTRATION CHARGE
[Section E, Line 5 plus Section F, Line 9]

\$10,000

B-19

[See notes and instructions]

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FORM 1, PART II – SCHEDULE 14
NOTES AND INSTRUCTIONS

1. The purpose of this schedule is to measure the exposure a *Dealer Member* has to each of its *providers of capital* (as defined below). As such is the case, a separate copy of this schedule should be completed for each *provider of capital* where the capital provided is in excess of \$10 million.
2. For the purposes of this schedule:
 - (a) A “provider of capital” is an *individual* or entity and its *affiliates* that provides capital to a *Dealer Member*
 - (b) “Regulatory financial statement capital” is comprised of:
 - Total Capital (Statement A, Line 73); plus
 - Non-refundable leasehold inducements (Statement A, Line 65); plus
 - Subordinated loans (Statement A, Line 67).
 - (c) “Regulatory financial statement capital provided by the provider of capital” is the portion of the *regulatory financial statement capital* that has been provided to the *Dealer Member* by the *provider of capital*

CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL

Section A, Line 3 – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

Section A, Line 4 – The amount to be reported on this line refers to the entire loan receivable balance if the only collateral received for the loan is securities issued by the *provider of capital*.

Section A, Line 5 – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the collateral received for the loan and the amount of the loan receivable or the *market value* of the securities delivered as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the collateral received] deficiency required under normal commercial terms.

Section A, Line 6 – The amount to be reported on this line refers to the entire loan receivable balance or the *market value* of the securities delivered as collateral if the only collateral received for the loan is securities issued by the *provider of capital*.

Section A, Line 7 – The undersecured amount to be reported on this line refers to any deficiency between the *market value* of the security received pursuant to the resale agreement and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the *market value* of the security received] deficiency required under normal commercial terms. If the security received is a security issued by the *provider of capital* the collateral is assumed to have no value for the purposes of the above calculation.

Section A, Lines 8, 9 and 10 – The amount to be reported on these lines refers to the amount of the loan receivable less any collateral provided other than securities issued by the *provider of capital*.

Section A, Line 11 – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered for the loan and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

Section A, Line 12 – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the securities lending agreement and the amount of the loan payable or the *market value* of the securities received as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

Section A, Line 13 – The overcollateralized amount to be reported on this line refers to any deficiency between the *market value* of the collateral delivered pursuant to the *repurchase agreement* and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.

CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL

Section B, Line 1 – Include all investments in securities issued by the *provider of capital*.

Section B, Line 2 – Include only those loans where the agreement executed includes the industry standard wording set out in the Limited Recourse Call Loan Agreement.

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FORM 1, PART II – SCHEDULE 14

NOTES AND INSTRUCTIONS [Continued]

Section B, Line 3 – Include only those security positions that are otherwise eligible for offset pursuant to ~~the Corporation~~ IIROC's capital requirements.

CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL

Section C, Line 1 – Include the face amount of *subordinated debt* provided by the *provider of capital*, plus the book amount of equity capital provided by the *provider of capital* plus a pro-rata share of reserves and retained earnings.

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FORM 1, PART II – SCHEDULE 15

DATE: _____

(Dealer Member Name)

SUPPLEMENTARY INFORMATION (Figures not subject to audit)

C\$'000

A. SEGREGATION:

1. Aggregate *market value* of securities required to be recalled from call loans _____

B. NUMBER OF EMPLOYEES:

1. Number of *employees* - registered _____

2. Number of *employees* - other _____

C. NUMBER OF TRADES EXECUTED DURING THE MONTH:

1. Bonds _____

2. Money Market _____

3. Equities – Listed Canadian _____

4. Equities – Foreign _____

5. *Options* _____

6. *Futures Contracts* _____

7. Mutual Funds _____

8. New Issues _____

9. Other _____

TOTAL _____

NOTE:

1. Trade tickets, not fills, for all markets should be counted.

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