



**AMENDMENTS TO IIROC DEALER MEMBER RULE 1200.3 AND NOTES TO STATEMENT D OF FORM 1 REGARDING  
FREE CREDIT CASH SEGREGATED IN TRUST FOR CLIENTS**

**CLEAN COPY OF THE AMENDMENTS TO FORM 1 AND SECTION 4384 OF THE IIROC RULES**

**4384. Calculating usable free credit balances**

- (1) A *Dealer Member* must not use in its business an amount of clients' *free credit balances* that totals more than the greater of:
  - (i) general free credit limit:  
twelve times the *Dealer Member's early warning reserve* amount, or
  - (ii) margin lending adjusted free credit limit:  
twenty times the *Dealer Member's early warning reserve* amount for margin lending purposes plus twelve times the remaining *early warning reserve* amount for all other purposes, where the remaining *early warning reserve* amount equals the *early warning reserve* amount minus 1/20th of the total settlement date client margin debit amount.
- (2) A *Dealer Member* must segregate clients' *free credit balances* in excess of the amount calculated in subsection 4384(1) either:
  - (i) in cash held in trust for clients in a separate account with an *acceptable institution*, and this trust property must be clearly identified as such at the *acceptable institution* or
  - (ii) in Canadian bank paper with an original maturity of one year or less and bonds, debentures, treasury bills, and other securities with a maturity of one year or less of, or guaranteed by, the Government of Canada, a province of Canada, the United Kingdom, the United States, or any other national foreign government that is on the List of Basel Accord Countries (provided such other foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively).

**APPENDIX D**

# FORM 1, PART I – STATEMENT D

(Dealer Member Name)

## STATEMENT OF FREE CREDIT SEGREGATION AMOUNT

at \_\_\_\_\_

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

Jun 2020

### APPENDIX D

IIROC Notice 19-0212 – Rules Notice – Notice of Approval/Implementation - Dealer Member Rules [IIROC Rules] – Amendments to Rule 1200.3 and Notes to Statement D of Form 1 regarding free credit cash segregated in trust for clients

## FORM 1, PART I – STATEMENT D

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.		<b>AMOUNT IN SEGREGATION</b> [Section D, Line 1 plus Section D, Line 2]	_____	_____
4.		<b>NET SEGREGATION EXCESS (DEFICIENCY)</b> [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 cash must be segregated in trust for clients in a separate account or accounts with an *acceptable institution* and this trust property must be clearly identified as such at the *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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