

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**PROPOSED AMENDMENTS TO FORM 1 AND COROLLARY AMENDMENTS TO THE IIROC RULES**

**BLACKLINE COMPARISON OF THE PROPOSED AMENDMENTS TO AMENDED FORM 1 IN IIROC NOTICE 21-0084**

## Form 1 – General notes and definitions

- (1) Each *Dealer Member* must comply with the requirements in Form 1 as approved and amended from time to time by the *Board*.

Form 1 is a special purpose report that includes financial statements and schedules, and is to be prepared in accordance with International Financial Reporting Standards (IFRS), except as prescribed by *IIROC*.

Each *Dealer Member* must complete and file all of these statements and schedules.

- (2) The following are Form 1 IFRS departures as prescribed by *IIROC*:

Matter	Prescribed IFRS departure
Client and broker trading balances	For client and broker trading balances, <i>IIROC</i> allows the netting of receivables from and payables to the same counterparty. A <i>Dealer Member</i> may choose to report client and broker trading balances in accordance with IFRS.
Preferred shares	Preferred shares issued by the <i>Dealer Member</i> and approved by <i>IIROC</i> are classified as shareholders' capital.
Presentation	<p>Statements A and E contain terms and classifications (such as allowable and non-allowable assets) that are not defined under IFRS. For Statement E, the profit (loss) for the year on discontinued operations is presented on a pre-tax basis (as opposed to after-tax).</p> <p>In addition, specific balances may be classified or presented on Statements A, E and F in a manner that differs from IFRS requirements. The general notes and definitions, and the applicable notes and instructions to the Statements of Form 1, should be followed in those instances where departures from IFRS presentation exist.</p> <p>Statements B, C, and D are supplementary financial information, which are not statements contemplated under IFRS.</p>
Separate financial statements on a non-consolidated basis	<p>Consolidation of <i>subsidiaries</i> is not permitted for regulatory reporting purposes, except for related companies that meet the definition of a "<i>related company</i>" in subsection 1201(2) of the <i>IIROC</i> Rules and <i>IIROC</i> has approved the consolidation.</p> <p>Because Statement E only reflects the operational results of the <i>Dealer Member</i>, a <i>Dealer Member</i> must not include the income (loss) of an investment accounted for by the equity method.</p>
Statement of cash flow	A statement of cash flow is not required as part of Form 1.
Subordinated loan	For regulatory reporting purposes, a subordinated loan must be reported at face value. Discounting of the subordinated loan amount is not permitted.
Valuation	<p><del>The "market value" of securities definition was amended as part of the Client Relationship Model – Phase 2 (CRM2) implementation.</del> <i>IIROC's</i> "<a href="#">"market value"</a> definition differs from the IFRS "<a href="#">"fair value"</a>" definition as it does not assume that all security, precious metals bullion and <i>futures contracts</i> positions have a value and it provides specific instructions on how to value positions in <a href="#">these different types of financial assets</a>.</p>

## Form 1 – General notes and definitions (Continued)

- (3) The following are Form 1 prescribed accounting treatments based on available IFRS alternatives:

Matter	Prescribed accounting treatment
Hedge accounting	Hedge accounting is not permitted for regulatory reporting purposes. All security and <i>derivative</i> positions of a <i>Dealer Member</i> must be marked-to-market at the reporting date. Gains or losses of the hedge positions must not be deferred to a future point in time.
Securities owned and sold short as held-for-trading	A <i>Dealer Member</i> must categorize all inventory positions as held-for-trading financial instruments. These security positions must be marked-to-market.  Because <i>IROC</i> does not permit the use of the available for sale and held-to-maturity categories, a <i>Dealer Member</i> must not include other comprehensive income (OCI) and will not have a corresponding reserve account relating to marking-to-market available for sale security positions.
Valuation of a <i>subsidiary</i>	A <i>Dealer Member</i> must value <i>subsidiaries</i> at cost.

- (4) These statements and schedules are prepared in accordance with the *IROC* Rules.
- (5) For purposes of these statements and schedules, the accounts of related companies that meet the definition of a “*related company*” in subsection 1201(2) of the *IROC* Rules may be consolidated.
- (6) For the purposes of the statements and schedules, the capital calculations must be on a trade date reporting basis unless specified otherwise in the notes and instructions to Form 1.
- (7) *Dealer Members* may determine margin deficiencies for clients, brokers and dealers on either a settlement date basis or trade date basis. *Dealer Members* may also determine margin deficiencies for *acceptable institutions, acceptable counterparties, regulated entities* and investment counselors’ accounts as a block on either a settlement date basis or trade date basis and the remaining clients, brokers and dealer accounts on the other basis. In each case, *Dealer Members* must do so for all such accounts and consistently from period to period.
- (8) Comparative figures on all statements are only required at the audit date.
- (9) All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest thousand.
- (10) Supporting details should be provided – as required - showing breakdown of any significant amounts that have not been clearly described on the statements and schedules.
- (11) Mandatory security count - All securities except those held in *segregation* or *safekeeping* shall be counted once a month, or monthly on a cyclical basis. Those held in *segregation* and *safekeeping* must be counted once in the year in addition to the count as at the year-end audit date.
- (12) The following terms have the meanings set out when used in Form 1 and the *IROC requirements*:

“acceptable clearing corporation”	Any clearing agency operating a central system for clearing of securities or <i>derivatives</i> transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the clearing agency’s powers of compliance and enforcement over its members or participants. <i>IROC</i> will maintain and regularly update a list of acceptable clearing corporations.
“acceptable counterparty”	An entity with whom a <i>Dealer Member</i> may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:  (i) Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital

## Form 1 – General notes and definitions (Continued)

	<p>recognized as such in their regulatory regime as well as in this capital formula, e.g. <i>subordinated debt</i>) in excess of \$10 million and less than or equal to \$100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.</p> <p>(ii) Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such entities is available for inspection.</p> <p>(iii) Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$10 million and less than or equal to \$100 million, provided acceptable financial information with respect to such companies is available for inspection.</p> <p>(iv) Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.</p> <p>(v) Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of \$10 million.</p> <p>(vi) Corporations (other than <i>regulated entities</i>) with a minimum net worth of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.</p> <p>(vii) Trusts and limited partnerships (other than <i>regulated entities</i>) with minimum total net assets on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.</p> <p>(viii) Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of \$10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.</p> <p>(ix) Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$15 million and less than or equal to \$150 million, provided acceptable financial information with respect to such entities is available for inspection.</p> <p>(x) Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$15 million, provided acceptable financial information with respect to such companies is available for inspection.</p> <p>(xi) Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.</p> <p>(xii) Federal governments of foreign countries which do not qualify as a <i>Basel Accord country</i>.</p> <p>For the purposes of this definition, a satisfactory regulatory regime will be one within a <i>Basel Accord country</i>.</p> <p><i>Subsidiaries</i> (excluding <i>regulated entities</i>) whose business falls in the category of any of the above enterprises and whose parent or <i>affiliate</i> qualifies as an <i>acceptable counterparty</i> may also be considered as an <i>acceptable counterparty</i> if the parent or <i>affiliate</i> provides a written unconditional irrevocable guarantee, subject to approval by IIROC.</p>
“acceptable exchange”	An entity <del>operating that</del> .

## Form 1 – General notes and definitions (Continued)

	<p>(i) <u>operates</u> as an exchange for securities or <i>derivatives</i> transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. <del>The legislation or oversight regime must provide for or recognize the exchange's powers of compliance and enforcement over its members or participants.</del></p> <p>(ii) <u>maintains and enforces adequate initial and ongoing listing requirements for at least one exchange market or market tier, and</u></p> <p>(iii) <u>maintains and enforces (or contracts with a regulatory services provider to maintain and enforce) adequate trading requirements for at least one exchange market or market tier.</u></p>
"acceptable institution"	<p>An entity with which a <i>Dealer Member</i> is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:</p> <ul style="list-style-type: none"> <li>(i) Government of Canada, the Bank of Canada and provincial governments.</li> <li>(ii) All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.</li> <li>(iii) Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. <i>subordinated debt</i>) in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.</li> <li>(iv) Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such entities is available for inspection.</li> <li>(v) Federal government of a <i>Basel Accord country</i>.</li> <li>(vi) Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of \$150 million, provided acceptable financial information with respect to such entities is available for inspection.</li> <li>(vii) Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of \$100 million, provided acceptable financial information with respect to such companies is available for inspection.</li> <li>(viii) Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of \$200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.</li> <li>(ix) Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of \$300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.</li> </ul> <p>For the purposes of this definition, a satisfactory regulatory regime will be one within a <i>Basel Accord country</i>.</p> <p><i>Subsidiaries</i> (other than <i>regulated entities</i>) whose business falls in the category of any of the above enterprises and whose parent or <i>affiliate</i> qualifies as an <i>acceptable institution</i> may also be considered as an <i>acceptable institution</i> if the parent or <i>affiliate</i> provides a written unconditional</p>

## Form 1 – General notes and definitions (Continued)

	irrevocable guarantee, subject to approval by <i>IIROC</i> .
“acceptable securities location”	<p>A location considered suitable to hold securities on behalf of a <i>Dealer Member</i>, for both inventory and client positions, without capital penalty. To be suitable, the location must meet <i>IIROC</i>'s <i>segregation</i> and custody requirements including, but not limited to, the requirement for a written custody agreement. The written custody agreement must outline the terms under which securities are deposited and include provision that:</p> <ul style="list-style-type: none"> <li>• no use or disposition of the securities shall be made without the prior written consent of the <i>Dealer Member</i>, and</li> <li>• the securities can be delivered to the <i>Dealer Member</i> promptly on demand.</li> </ul> <p>The entities with locations that are considered suitable are as follows:</p> <p>(i) Depositories and Clearing Agencies</p> <p>Any securities depository or clearing agency operating a central system for handling securities or equivalent book-based entries or for clearing of securities or <i>derivatives</i> transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the securities depository's or clearing agency's powers of compliance and enforcement over its members or participants. <i>IIROC</i> will maintain and regularly update a list of those depositories and clearing agencies that comply with these criteria.</p> <p>(ii) <i>Acceptable institutions</i> and <i>subsidiaries</i> of <i>acceptable institutions</i> that satisfy the following criteria:</p> <p>(a) <i>Acceptable institutions</i> which in their normal course of business offer custodial security services, or</p> <p>(b) <i>Subsidiaries</i> of <i>acceptable institutions</i> provided that each such subsidiary, together with the <i>acceptable institution</i>, has entered into a custodial agreement with the <i>Dealer Member</i> containing a legally enforceable indemnity by the <i>acceptable institution</i> in favour of the <i>Dealer Member</i> covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the <i>Dealer Member</i> and its clients at the <i>subsidiary's</i> location.</p> <p>(iii) <i>Acceptable counterparties</i> - with respect to security positions maintained as a book entry of securities issued by the <i>acceptable counterparty</i> and for which the <i>acceptable counterparty</i> is unconditionally responsible.</p> <p>(iv) Banks and trust companies otherwise classified as <i>acceptable counterparties</i> - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).</p> <p>(v) Mutual Funds or their agents - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.</p> <p>(vi) <i>Regulated entities</i>.</p> <p>(vii) Foreign institutions and securities dealers that satisfy the following criteria:</p> <p>(a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Canadian \$150 million as evidenced by the audited financial statements of such entity, provided that:</p> <p>(l) a foreign custodian certificate has been completed and signed in the prescribed form by the <i>Dealer Member's</i> board of directors or authorized committee,</p>

## Form 1 – General notes and definitions (Continued)

	<p>(II) a formal application in respect of each such foreign location is made by the <i>Dealer Member</i> to <i>IIROC</i> in the form of a letter enclosing the financial statements and certificate described above, and</p> <p>(III) the <i>Dealer Member</i> reviews each such foreign location annually and files a foreign custodian certificate with <i>IIROC</i> annually.</p> <p>(viii) For London Bullion Market Association (LBMA) gold and silver good delivery bars, those entities considered suitable to hold these bars on behalf of a <i>Dealer Member</i>, for both inventory and client positions, without capital penalty must:</p> <p>(a) be a market making member, ordinary member or associate member of the LBMA,</p> <p>(b) be on <i>IIROC</i>'s list of entities considered suitable to hold LBMA gold and silver good delivery bars, and</p> <p>(c) have executed a written precious metals storage agreement with the <i>Dealer Member</i>, outlining the terms upon which such LBMA good delivery bars are deposited. The terms must include provisions that no use or disposition of these bars shall be made without the written prior consent of the <i>Dealer Member</i>, and these bars can be delivered to the <i>Dealer Member</i> promptly on demand. The precious metals storage agreement must provide equivalent rights and protection to the <i>Dealer Member</i> as the standard securities custodial agreement.</p> <p>(ix) Other locations which have been approved as an <i>acceptable securities location</i> by <i>IIROC</i>.</p>
<p><del>“applicable association”</del></p>	<p><del>For regulated entity purposes, an entity that meets the following criteria:</del></p> <ol style="list-style-type: none"> <li><del>1. the association maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund,</del></li> <li><del>2. the association requires the segregation by its members of customers' fully paid for securities,</del></li> <li><del>3. the association rules set out specific methodologies for the segregation of, or reserve for, customer credit balances,</del></li> <li><del>4. the association has established rules regarding Dealer Member and customer account margining,</del></li> <li><del>5. the association is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member's regulatory capital on an ongoing basis, and</del></li> <li><del>6. the association requires regular regulatory financial reporting by its members.</del></li> </ol> <p><del>A list of current applicable associations is included in the most recent Domestic and Foreign Acceptable Institutions (AI) and Acceptable Counterparties (AC) database.</del></p>
<p><del>“applicable exchange”</del></p>	<p><del>For regulated entity purposes, an entity that is an acceptable exchange and meets the following criteria:</del></p> <ol style="list-style-type: none"> <li><del>1. the exchange maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund,</del></li> <li><del>2. the exchange requires the segregation by its members of customers' fully paid for securities,</del></li> <li><del>3. the exchange rules set out specific methodologies for the segregation of, or reserve for, customer credit balances,</del></li> <li><del>4. the exchange has established rules regarding Dealer Member and customer account margining,</del></li> </ol>

## Form 1 – General notes and definitions (Continued)

	<p><del>5.—the exchange is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member’s regulatory capital on an ongoing basis, and</del></p> <p><del>6.—the exchange requires regular regulatory financial reporting by its members.</del></p> <p><del>A list of current <i>applicable exchanges</i> is included in the most recent Domestic and Foreign Acceptable Institutions (AI) and Acceptable Counterparties (AC) database.</del></p>
“Basel Accord country”	<p>A country that is a member of the Basel Accord and has adopted the banking and supervisory rules set out in the Basel Accord. (The Basel Accord, which includes the regulating authorities of major industrial countries acting under the auspices of the Bank for International Settlements (B.I.S.), has developed definitions and guidelines that have become accepted standards for capital adequacy.) A list of current <i>Basel Accord countries</i> is included in the most recent Domestic and Foreign Acceptable Institutions (AI) and Acceptable Counterparties (AC) database.</p>
“broad based index”	<p>An equity index in which:</p> <ul style="list-style-type: none"> <li>(i) the basket of <i>equity securities</i> underlying the index consists of thirty or more securities,</li> <li>(ii) the single largest basket security position by weighting comprises not more than 20% of the overall <i>market value</i> of the basket,</li> <li>(iii) the average market capitalization for each security position in the basket of <i>equity securities</i> underlying the index is at least \$50 million,</li> <li>(iv) the basket securities shall be from a broad range of industries and market sectors as determined by <i>IIROC</i> to represent index diversification, and</li> <li>(v) the securities constituting the foreign equity index are listed and traded on an <del><i>applicable</i></del> <u><i>acceptable</i></u> exchange.</li> </ul>
<b>The following definition will come into effective September 1, 2022:</b>	
“designated rating organization”	<p>A credit rating organization, or its designated <i>affiliate</i>, or designated successor credit rating organization, that has been designated under securities laws. If the designation of a designated rating organization under securities laws is subject to terms and conditions that only recognize its credit ratings for certain purposes or certain asset classes, then any use of its credit ratings for the purposes of this definition is subject to the same terms and conditions, unless specified otherwise. Any reference to a particular rating category of a designated rating organization includes:</p> <ul style="list-style-type: none"> <li>(i) the corresponding rating category of another <i>designated rating organization</i>,</li> <li>(ii) where applicable, the corresponding rating category for short term debt, and</li> <li>(iii) a category that replaces that rating category.</li> </ul>
“extended settlement date”	<p>A transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.</p>
“market value”	<p>Means:</p> <ul style="list-style-type: none"> <li>(i) For securities, precious metals bullion and <i>futures contracts</i> quoted on an active market, the published price quotation using: <ul style="list-style-type: none"> <li>(A) For listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be,</li> </ul> </li> </ul>

## Form 1 – General notes and definitions (Continued)

	<p>(B) For unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,</p> <p>(C) For all other unlisted securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate,</p> <p>(D) For <i>futures contracts</i>, the settlement price on the relevant date or last trading day prior to the relevant date,</p> <p>(E) For money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date,</p> <p>(F) For money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in (E) and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and</p> <p>(G) For money market repurchases with borrower call features, the borrower call price, and after making any adjustments considered by the <i>Dealer Member</i> to be necessary to accurately reflect the market value.</p> <p>(ii) Where a reliable price for the security, precious metals bullion or <i>futures contract</i> cannot be determined:</p> <p>(A) The value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly, or</p> <p>(B) Where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions, or</p> <p>(C) Where insufficient recent information is available and/or there is a wide range of possible values and cost represents the best value estimate that range, cost.</p> <p>(iii) Where a value cannot be reliably determined under subsections (i) and (ii) above, the amount used:</p> <p>(A) to report the total market value of a <i>Dealer Member</i> securities position, and</p> <p>(B) to calculate the margin requirement for a client account securities position, shall be zero.</p>
“regulated entity”	<p>An entity with whom a <i>Dealer Member</i> may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entity is a <del>participating institution in</del> <a href="#">Dealer Member or a securities dealer that is subject to adequate regulatory oversight by an equivalent regulator or self-regulatory organization.</a></p> <p><a href="#">For the purposes of this definition, regulators and self-regulatory organizations with equivalent dealer regulatory oversight mean those entities that meet the following criteria:</a></p> <p>(i) <del>the entity’s regulated dealers are member firms of</del> <a href="#">the Canadian Investor Protection Fund (CIPF) or member of an applicable exchange or applicable association investor protection regime that is equivalent to CIPF.</a></p>

## Form 1 – General notes and definitions (Continued)

	<p><u>(ii) the entity is a government agency or is a self-regulatory organization that is subject to regulatory oversight reviews by a government agency.</u></p> <p><u>(iii) the entity requires the segregation of customers' fully paid for securities by its regulated dealers.</u></p> <p><u>(iv) the entity rules set out specific methodologies for the segregation of, or reserve for, customer credit balances.</u></p> <p><u>(v) the entity has established rules regarding dealer and customer account margining.</u></p> <p><u>(vi) the entity conducts regular examinations of its regulated dealers and monitors their regulatory capital on an ongoing basis, and</u></p> <p><u>(vii) the entity requires regular regulatory financial reporting by its regulated dealers.</u></p> <p><u>The regulators and self-regulatory organizations are determined at the discretion of IIROC, as made available on IIROC's website.</u></p>
"regular settlement date"	<p>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 <i>business days</i> past trade date, settlement date will be deemed to be 15 <i>business days</i> past trade date. In the case of new issue trades, regular settlement date means the contracted settlement date as specified for that issue.</p>

**Form 1, Part II – Schedules 11 and 11A**  
**Notes and instructions**

- (1) The purpose of this schedule is to measure the balance sheet exposure a *Dealer Member* has to foreign currency risk. Schedule 11A must be completed for each foreign currency that has margin requirement greater than or equal to \$5,000.
- (2) The following is a summary of the quantitative and qualitative criteria for currency groups 1-4. *Dealer Members* should refer to IIROC's most recently published listing of currency groupings.
- (i) A Group 1 currency must (a) have a spot price volatility level of less than or equal to 1%, and (b) be a primary intervention currency of the Canadian dollar.
- (ii) A Group 2 currency must (a) have a spot price volatility level of less than or equal to 3%, (b) have a daily quoted spot rate by a Schedule 1 *chartered bank*, and (c) have either: (I) a daily quoted spot rate by either: (A) a member of the Economic and Monetary Union, or (B) a participant of the Exchange Rate Mechanism II, or (II) a listed currency *futures contract* on ~~an~~ applicable futures exchange.
- (iii) A Group 3 currency must (a) have a spot price volatility of less than or equal to 10%, (b) have a daily quoted spot rate by a Schedule 1 *chartered bank*, and (c) be of a member country of the International Monetary Fund.
- (iv) A Group 4 currency has no initial or ongoing qualification criteria.
- (3) Reference should be made to the applicable IIROC Rules for definitions and calculations.
- (4) *Monetary assets* and *monetary liabilities* are assets and liabilities, respectively, of a *Dealer Member* in respect of money and claims to money whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.
- (5) All *monetary assets* and *monetary liabilities* as well as the *Dealer Member's* own foreign currency future and forward commitments are to be reported on a trade date basis.
- (6) *Monetary liabilities* and the *Dealer Member's* own foreign currency future and forward commitments should be disclosed by maturity dates (i.e. less than or equal to two years and greater than two years).
- (7) Weighted value is calculated for *foreign exchange positions* with a *term to maturity* of over two *business days*. The weighted value is derived by taking the *term to maturity* of the *foreign exchange position* in calendar days divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.
- (8) The total margin requirement is the aggregate of the spot risk margin requirement and term risk margin requirement. The spot risk margin requirement applies to all *monetary assets* and *monetary liabilities*, regardless of *term to maturity*. The term risk margin requirement applies to all *monetary assets* and *monetary liabilities* with a *term to maturity* of over two *business days*. The following summarizes the margin rates by currency group:

	Currency group			
	1	2	3	4
Spot risk margin rate	greater of: (i) 1.00% and (ii) spot risk surcharge rate <sup>1</sup>	greater of: (i) 3.00% and (ii) spot risk surcharge rate <sup>1</sup>	greater of: (i) 10.00% and (ii) spot risk surcharge rate <sup>1</sup>	25.00%
Term risk margin rate <sup>2</sup>	1.00% to a maximum of 4.00%	3.00% to a maximum of 7.00%	5.00% to a maximum of 10.00%	12.50% to a maximum of 25.00%
Total maximum margin rates <sup>1</sup>	5.00%	10.00%	20.00%	50.00%

<sup>1</sup> The spot risk surcharge rate is determined using the approach set out in subsection 5462(2).

<sup>2</sup> If the weighting factor described in note 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.

- (9) *Dealer Members* may elect to exclude non-allowable *monetary assets* from the total *monetary assets* reported on Schedule 11A for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a *Dealer Member* should not have to

**Form 1, Part II – Schedules 11 and 11A**  
**Notes and instructions (Continued)**

provide foreign exchange margin on a non-allowable asset which is already fully provided for in the determination of the capital position of the *Dealer Member* unless it serves as an economic hedge against a *monetary liability*.

- (10) For *Dealer Members* offsetting a *foreign exchange position* denominated in a currency which has a currency *futures contract* which trades on ~~an applicable~~ [a futures exchange](#), an alternative margin calculation may be used (refer to section 5467 of IIROC Rules). Any contract positions for which the margin is calculated under the alternative method must be reported as part of the inventory margin calculations on Schedule 2 and should be excluded from Schedule 11A.
- (11) **Line 20** - The foreign exchange concentration charge applies only to currency groups 2 to 4.