

Housekeeping amendments to Investment Dealer and Partially Consolidated Rules regarding margin requirements for securities loan, repurchase agreements, and reverse repurchase agreements with term risk

Blackline comparison of IDPC Rule 5900

RULE 5900 | AGREEMENT RELATED MARGIN REQUIREMENTS

5901. Introduction

- (1) The general margin requirements for call loan, cash and securities loan, *repurchase agreements* and *reverse repurchase agreements* that are entered into between a *Dealer Member* and a counterparty client are set out in Form 1. Rule 5900 sets out specific margin requirements that apply to securities loan, *repurchase agreements* and *reverse repurchase agreements* where, amongst other things, the compensation, price differential, fee, commission or other financing charge to be paid in connection with the agreement is calculated according to a fixed rate.

5902. Definitions

- (1) The following term has the meaning set out below when used in the Rule:

“fixed rate”	A rate expressed as a price, decimal, or percentage per year or expressed in another manner that does not vary until the termination of the relevant agreement.
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5903. Margin requirements for securities loan, repurchase agreements, and reverse repurchase agreements with term risk

- (1) Despite any margin requirement set out in Form 1 regarding a securities loan, *repurchase agreement* or *reverse repurchase agreement*, if the special conditions set out in the chart below are met, the minimum *Dealer Member inventory margin* requirement for unhedged agreement positions is as follows:

Position	Special conditions	Margin required
Unhedged position		
Securities loan, <i>repurchase agreement</i> , or <i>reverse repurchase agreement</i>	<ul style="list-style-type: none"> ▪ the obligation to repurchase, resell or terminate the loan is outstanding for more than five <i>business days</i>, ▪ the date of repurchase, resale, or termination of a loan is decided at the time 	The minimum <i>Dealer Member inventory margin</i> required for any unhedged term risk shall be determined by multiplying: <ul style="list-style-type: none"> (i) the relevant margin rate for the security <u>a Government of Canada debt security involved in the loan / agreement</u> with a term to maturity that is equal to the remaining <u>term of the</u>

Appendix 2
Investment Dealer and Partially Consolidated Rules

Position	Special conditions	Margin required
Unhedged position		
	<p>of entering into the transaction,</p> <ul style="list-style-type: none"> ▪ the amount of any compensation, price differential, fee, commission, or other financing charge to be paid in connection with the repurchase, resale, or loan is calculated according to a <i>fixed rate</i>, and ▪ the <i>Dealer Member</i> must perform the calculations daily and make full provision for any principal and return of capital then payable, and for all accrued interest, dividends, or other distributions on securities used as collateral. 	<p>loan / agreement term, as set out in section 52105210(1)(i),</p> <p>by</p> <p>(ii) the loan / agreement market value.</p>

- (2) Despite any margin requirement set out in Form 1 regarding a securities loan, *repurchase agreement* or *reverse repurchase agreement*, if the special conditions set out in the chart below are met, the minimum *Dealer Member inventory margin* requirements for offsets involving agreement positions is as follows:

Position	Special conditions	Margin required
Offsetting positions		
<p>Securities loan versus <i>securities loan</i></p> <p>or</p> <p><i>Repurchase agreement</i> versus <i>reverse repurchase agreement</i></p>	<ul style="list-style-type: none"> ▪ the date of repurchase, resale, or termination of a loan is less than one year away for each of the offsetting positions, ▪ the offsetting positions are denominated in the same currency, and ▪ the offsetting positions meet the special conditions set out in subsection 	<p>The minimum <i>Dealer Member inventory margin</i> required for any residual offset term risk is the difference between the unhedged margin calculated for the two loan / agreement positions pursuant to subsection 5903(1)</p>

Appendix 2
Investment Dealer and Partially Consolidated Rules

Position	Special conditions	Margin required
Offsetting positions		
	5903(1) for unhedged positions.	
Securities loan versus <i>securities loan</i> or <i>Repurchase agreement</i> versus <i>reverse repurchase agreement</i>	<ul style="list-style-type: none"> ▪ the date of repurchase, resale, or termination of a loan is greater than or equal to one year away for each of the offsetting positions, ▪ the offsetting positions are in the same maturity band for margin purposes and are denominated in the same currency, and ▪ the offsetting positions meet the special conditions set out in subsection 5903(1) for unhedged positions. 	<p>The minimum <i>Dealer Member inventory margin</i> required for any residual offset term risk shall be determined by multiplying:</p> <p>(i) the relevant margin rate for the securities involved in the loans / agreements <u>a Government of Canada debt security</u> with terms a term to maturity that are <u>is</u> equal to the remaining loan / agreement <u>terms of the loans / agreements</u>, as set out in section 5210 <u>5210(1)(i)</u>,</p> <p>by</p> <p>(ii) the net market value of the two loans / agreements.</p>

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