

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

CLEAN COPY OF THE AMENDMENTS TO THE IIROC RULES

Amendment #1 – Subsection 1201(2) of the IIROC Rules is amended by adding the following definition in alphabetical sequence:

“1201. Definitions...

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

“designated rating organization”	The same meaning as set out in Form 1, General Notes and Definitions.”
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Amendment #2 – Subsection 4384(2) of the IIROC Rules is amended by re-organizing the content into a table; repealing and replacing text referring to specific credit rating agencies with the term “designated rating organization”; introducing minimum designated rating organization and qualification requirements for Canadian bank paper, as follows:

“4384. Calculating usable free credit balances . . .

- (2) A Dealer Member must segregate clients’ free credit balances in excess of the amount calculated in subsection 4384(1) either:
- (i) in cash held in trust for clients in a separate account with an *acceptable institution*, and this trust property must be clearly identified as such at the *acceptable institution* or
 - (ii) in the following securities:

Securities eligible for client free credit segregation purposes			
	Category	Minimum designated rating organization current credit rating	Qualification(s)
1.	Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following: <ul style="list-style-type: none"> • national governments of Canada, United Kingdom, and United States 	Not applicable (N/A)	Not applicable (N/A)

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

Amendment #3 – Clause 5130(3) of the IIROC Rules is amended by repealing and replacing text referring to specific credit rating agencies, and countries of origin, with the term “designated rating organization”, as follows:

“5130. Definitions...

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

“low current credit rating”	A current credit rating of “B” or lower by a <i>designated rating organization.</i> ”
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Amendment #4 – Subsections 5210(1) and (2) of the IIROC Rules are amended by repealing and replacing text referring to specific credit rating agencies in subsection (2) with the term “designated rating organization”, as follows:

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

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

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

- (2) In subsection 5210(1) category (i), a country with a “high current credit rating” is a country that is currently rated AAA by a *designated rating organization*.”

Amendment #5 – Subsections 5211(1) and (2) of the IIROC Rules are amended by repealing and replacing text referring to specific credit rating agencies in subsection (2) with the term “designated rating organization”, as follows:

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

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

Term to maturity or redemption	Minimum margin required as a percentage of market value		
	Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating	Category (ii) Canadian provincial government, and obligations of the International Bank for Reconstruction and Development	Category (iii) Canadian and United Kingdom municipal corporations
Less than 1 year	1.50% x number of <u>days to maturity</u> 365	3.00% x number of <u>days to maturity</u> 365	4.50% x number of <u>days to maturity</u> 365
Greater than or equal to 1 year and less than 3 years	1.50%	4.50%	7.50%
Greater than or equal to 3 years and less than 7 years	3.00%	6.00%	
Greater than or equal to 7 years and less than 11	6.00%	7.50%	

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

- (2) In subsection 5211(1) category (i), a country with a “high current credit rating” is a country that is currently rated AAA by a *designated rating organization*.”

Amendment #6 – Subsections 5614(1) and 5614(2) of the IIROC Rules are amended by repealing and replacing the term “highly rated” with “high issuer credit rating”, and by repealing and replacing text referring to specific credit rating agencies in subsection (2) with the term “designated rating organization”, as follows:

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

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

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

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

- (2) In subsection 5614(1) “*Canada Municipal debt securities* with a high issuer credit rating” are *debt securities* issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by a *designated rating organization*.”

Amendment #7 – Subsections 5618(1) and 5618(2) of the IIROC Rules are amended by repealing and replacing the term “highly rated” with “high issuer credit rating”, and by repealing and replacing text referring to specific credit rating agencies in subsection (2) with the term “designated rating organization”, as follows:

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

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

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

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

- (2) In subsection 5618(1) “*Canada Municipal debt securities with a high issuer credit rating*” are *debt securities* issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by a *designated rating organization*.”

Amendment #8 – Subsection 5621(2) of the IIROC Rules is amended by repealing and replacing text referring to specific credit rating agencies with the term “designated rating organization”, as follows:

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

- (2) In subsection 5621(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by a *designated rating organization*.”

Amendment #9 – Subsection 5622(2) of the IIROC Rules is amended by repealing and replacing text referring to specific credit rating agencies with the term “designated rating organization”, as follows:

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

- (2) In subsection 5622(1) “highly rated *chartered bank acceptances*” are bank acceptances currently rated “A” or higher by a *designated rating organization*.”

Amendment #10 – Subsection 5623(2) of the IIROC Rules is amended by repealing and replacing text referring to specific credit rating agencies with the term “designated rating organization”, as follows:

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

- (2) In subsection 5623(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by a *designated rating organization*.”

Amendment #11 – Subsection 5624(2) of the IIROC Rules is amended by repealing and replacing text referring to specific credit rating agencies with the term “designated rating organization”, as follows:

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

- (2) In subsection 5624(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by a *designated rating organization*.”

Amendment #12 – Subsection 5631(2) of the IIROC Rules is amended by repealing and replacing text referring to specific credit rating agencies with the term “designated rating organization”, as follows:

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

- (2) In subsection 5631(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by a *designated rating organization*.”