

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

**BLACK-LINE COPY OF THE AMENDMENTS TO THE DMRs AND DMR FORM 1**

**Amendment #1** – Form 1, General Notes and Definitions is amended by adding the following definition with the alphabetical sequence altered thereafter:

“(g) **“designated rating organization”** means a credit rating organization, or its designated affiliate, 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:

- (i) the corresponding rating category of another *designated rating organization*;
- (ii) where applicable, the corresponding rating category for short term debt; and
- (iii) a category that replaces that rating category.”

**Amendment #2** - Dealer Member Rule 1.1 is amended by adding the following definition in alphabetical sequence:

“**“designated rating organization”** means the same meaning as set out in Form 1, General Notes and Definitions.”

**Amendment #3** - Dealer Member Rule 100.2(a)(i) is amended as follows:

“100.2. For the purpose of Rule 17.13 and this Rule 100 the following margin requirements are hereby prescribed:

**(a) Bonds, Debentures, Treasury Bills and Notes**

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated ~~Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively~~ AAA by a designated rating organization), maturing (or called for redemption):

within 1 year	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	1 % of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value”

**Amendment #4** - Dealer Member Rule 100.2(a)(v) is amended as follows:

“(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Dealer Member’s name maturing:

within 1 year	3% of market value (*)
over 1 year to 3 years	6% of market value (*)
over 3 years to 7 years	7% of market value (*)
over 7 years to 11 years	10% of market value (*)
over 11 years	10% of market value(*)

(1) If convertible and selling over par, the margin required shall be the lesser of:

(a) the sum of:

- (i) the above rates multiplied by par value; and
- (ii) the excess of market value over par value;

and

(b) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.

(3) If selling at 50% of par value or less and if rated ~~"B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service~~ or lower by a designated rating organization, the margin requirement shall be 50% of market value.

~~(4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.~~(5) If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:

(a) the greater of:

- (i) the margin requirement for a convertible ~~debt~~ instrument calculated pursuant to this Rule 100.2(a)(v); and
- (ii) the margin requirement for a residual ~~debt~~ instrument (zero coupon) instrument calculated pursuant to Rule 100.2(a)(xi);

and;

(b) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.2.

## Appendix A

~~(6)(5)~~ Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Rule 100.2(a)(vi) then the margin requirements in such Rule shall apply.”

### Amendment #5 - Dealer Member Rules 100.4C(i) and (v) are amended as follows:

- “(i) securities described in Rules 100.2(a)(v) (corporate) and 100.2(b) (bank paper) will only be eligible for offset if they are not convertible and have a single A or higher rating ~~by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record~~ by a designated rating organization,” ...
- “(v) securities offsets described in items (l) and (m), Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by ~~any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record~~ a designated rating organization.”

### Amendment #6 - Dealer Member Rule 100.4E(f) is amended as follows:

#### “(f) Bond or debenture and strip coupon or residual debt positions

Where a Dealer Member holds a short (or long) position in bonds or debentures issued by a corporation with a single A or higher rating by ~~any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record~~ a designated rating organization,” ...

### Amendment #7 - Dealer Member Rules 100.4K(ii) and (iii) are amended as follows:

- “(ii) securities described in Rule 100.2(a)(iii) Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by ~~any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record~~ a designated rating organization;
- “(iii) securities described in Rule 100.2(a)(iv) Corporate will only be eligible for offset if they are not convertible and have a single A or higher rating by ~~any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record~~ a designated rating organization; and”

### Amendment #8 - Dealer Member Rule 1200.3(d) is amended as follows:

- “(d) segregated and separate and apart from the Dealer Member's property 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 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).~~ the following securities:

<u>Securities eligible for client free credit segregation purposes</u>		
<u>Category</u>	<u>Minimum designated rating organization current credit rating</u>	<u>Qualification(s)</u>

#### Appendix A

IIROC Notice 21-0028 – Rules Notice – Notice of Approval/Implementation – Amendments to Dealer Member Rules and Form 1 regarding the securities concentration test and designated rating organizations

## Appendix A

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

**Amendment #9** – Statement D, Notes, Section D, Line 2, of Form 1 is amended as follows:

**“Section D, Line 2** - The following 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 eligible for client free credit segregation purposes, provided they are segregated and held separate and apart from the Dealer Member’s property.”

<u>Securities eligible for client free credit segregation purposes</u>			
<u>Category</u>		<u>Minimum designated rating organization current credit rating</u>	<u>Qualification(s)</u>
<u>1.</u>	<u>Bonds, debentures, treasury bills and other securities with a term of 1 year or less,</u>	<u>Not applicable (N/A)</u>	<u>Not applicable (N/A)</u>

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	<u>issued or guaranteed by the following:</u> <ul style="list-style-type: none"> <li><u>national governments of Canada, United Kingdom, and United States</u></li> <li><u>Canadian provincial governments</u></li> </ul>		
<u>2.</u>	<u>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</u>	<u>AAA</u>	<u>Foreign government must be a member of the Basel Accord</u>
<u>3.</u>	<u>Canadian bank paper with an original maturity of 1 year or less</u>	<u>R-1(low), F1, P-1, A-1(low)</u>	<u>No designated rating organization has a lower current credit rating</u>  <u>Must be issued by a Canadian chartered bank</u>  <u>Securities issued by a provider of capital, as defined in Form 1, Schedule 14, are not eligible"</u>

**Amendment #10** – Schedule 2, Notes and instructions, Line 9 of Form 1 is amended as follows:

**“Line 9** - The following 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 eligible for client free credit segregation purposes, provided they are segregated and held separate and apart from the Dealer Member’s property.”

<u>Securities eligible for client free credit segregation purposes</u>			
<u>Category</u>		<u>Minimum designated rating organization current credit rating</u>	<u>Qualification(s)</u>
<u>1.</u>	<u>Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following:</u>	<u>Not applicable (N/A)</u>	<u>Not applicable (N/A)</u>

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	<ul style="list-style-type: none"> <li><u>national governments of Canada, United Kingdom, and United States</u></li> <li><u>Canadian provincial governments</u></li> </ul>		
<u>2.</u>	<u>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</u>	<u>AAA</u>	<u>Foreign government must be a member of the Basel Accord</u>
<u>3.</u>	<u>Canadian bank paper with an original maturity of 1 year or less</u>	<u>R-1(low), F1, P-1, A-1(low)</u>	<u>No designated rating organization has a lower current credit rating</u>  <u>Must be issued by a Canadian chartered bank</u>  <u>Securities issued by a provider of capital, as defined in Form 1, Schedule 14, are not eligible"</u>

**Amendment #11** - Schedule 9 of Form 1 and its Notes and Instructions are repealed and replaced as provided below (Schedule 9, Summary Sheet and its Notes and Instructions).

**Amendment #12** - Schedule 9 of Form 1 and its Notes and Instructions are repealed and replaced as provided below (Schedule 9A, General Security Test and its Notes and Instructions).

**Amendment #13** - Schedule 9 of Form 1 and its Notes and Instructions are repealed and replaced as provided below (Schedule 9B, Debt Security Test and its Notes and Instructions).

### Appendix A

**IIROC Notice 21-0028 – Rules Notice – Notice of Approval/Implementation – Amendments to Dealer Member Rules and Form 1 regarding the securities concentration test and designated rating organizations**

**FORM 1, PART II – SCHEDULE 9**

DATE: \_\_\_\_\_

(Dealer Member Name)

## CONCENTRATION OF SECURITIES

## SUMMARY SHEET

[excluding securities required to be in segregation or safekeeping ~~& debt securities with a margin rate of 10% or less~~ (see [S9](#), note [53](#))]

[illegible]

[See notes and instructions]

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**FORM 1, PART II – SCHEDULE 9**[illegible]



**FORM 1, PART II – SCHEDULE 9  
NOTES AND INSTRUCTIONS**

**General**Introduction

1. The purpose of this schedule is to ~~disclose~~measure and provide appropriate provisions for securities concentration risk. Concentration exposures are tested according to either a General Security Test methodology (Schedule 9A) or a Debt Security Test methodology (Schedule 9B). The Schedule 9 summary sheet must include the largest ten issuer positions and precious ~~metal~~metals positions ~~that are being relied upon for loan value reported on Schedules 9A and 9B,~~ 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)~~
- The Notes and Instructions to Schedule 9 provide securities concentration calculation requirements, concentration thresholds, concentration charges, and other requirements that are applicable to both tests. Certain prescribed differences between the test methodologies are noted below, such as the calculation of the short position exposures and the maximum concentration charges, described in Notes 4, 7(b), and 12.
- The Notes and Instructions to Schedules 9A and 9B provide more detail on the positions included for testing under each test. The Notes and Instructions to Schedule 9B detail additional adjustments applicable to the Debt Security Test.

Calculation requirements applicable to both tests, Notes 2-13

2. The securities and precious metals positions included for exposure testing are those 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 reported on Schedule 9A, the loan value is the *market value* of the short position. For short positions reported on Schedule 9B, the loan value is the same as calculated for long positions.

**Client position**

- ~~7~~5. (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

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## FORM 1, PART II – SCHEDULE 9

## NOTES AND INSTRUCTIONS [Continued]

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 for 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**

- 86.** (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.

**Amount ~~Loaned~~ loaned**

**97.** 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 reported on Schedule 9A, 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).

Calculate the combined amount loaned on the short position exposure reported on Schedule 9B according to the same methodology described in Note 7(a).

- (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 108(a) or 108(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~~ columns titled "Adjustments in arriving at Amount Loaned" (on Schedules 9A and 9B), "Risk-weighting adjustment factor %" (Schedule 9B), and "Risk-weighted amount loaned" (Schedule 9B) 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:

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## NOTES AND INSTRUCTIONS [Continued]

- (i) Security positions and precious metal positions that qualify for a margin offset may be excluded, as previously discussed in ~~notes 7~~Notes 5(a) and 86(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 67 on Schedules 9A and 9B.);
  - (iii) Security positions that are financed by limited recourse loans that meet the industry standard wording set out in the Limited Recourse Call Loan Agreement may be excluded;
  - (iv) 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;
  - (v) 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;
  - (vi) 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
  - (vii) 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.
- (e) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.

Concentration ~~Charge~~thresholds

~~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.~~

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## FORM 1, PART II – SCHEDULE 9

## NOTES AND INSTRUCTIONS [Continued]

~~(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~~

8. The following concentration thresholds apply:

<u>Amount loaned issuer classification</u>	<u>Issuer classification or special application criteria</u>	<u>Amount loaned concentration threshold</u>
<u>a. Related or "non-arm's length" securities</u>	<u>Securities issued by:</u> <u>i. the Dealer Member, or</u> <u>ii. a company meeting all of the following thresholds:</u> <ul style="list-style-type: none"> <li><u>Dealer Member accounts are included in the consolidated financial statements</u></li> <li><u>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.</u></li> </ul>	<u>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.</u>
<u>b. Non-marginable securities of an issuer held in a cash account(s)</u>	<u>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.</u>	

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## FORM 1, PART II – SCHEDULE 9

## NOTES AND INSTRUCTIONS [Continued]

c. <u>Non-related or arm's length marginable securities</u>	<u>Securities, or a precious metal position, other than those described in 8(a) and 8(b) above.</u>	<u>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.</u>
d. <u>Additional exposures</u>	<p><u>The following scenarios result in a reduced concentration threshold for any other issuer or precious metal position:</u></p> <ul style="list-style-type: none"> <li><u>Multiple violations: If the Dealer Member has already incurred a concentration charge for an issuer position or precious metal position under 8(a), 8(b), or 8(c); or,</u></li> <li><u>Material exposures: If the Dealer Member has already measured a concentration exposure on any one non-related issuer or a precious metal position in excess of one-half of the sum of Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, Line 7), as most recently calculated.</u></li> </ul>	<p><u>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.</u></p> <p><u>Any additional exposures for issuer positions classified under 8(a) or 8(b) are measured at 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.</u></p>

9. The additional exposures threshold reductions detailed in Note 8(d) apply to all issuer positions tested under Schedule 9, including positions from the same issuer whose concentration exposures are calculated separately under Schedules 9A and 9B.

**Concentration charge**

10. 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) ~~Final adjusted amount loaned over the concentration thresholds indicated in Note 8~~ 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~~

11.

(e) For the purpose of calculating the concentration charges as required by ~~notes 10~~ Notes 8(a), 8(b), 8(c), 8(d), and 10(d) above, such calculations ~~shall~~ must be performed for the largest ~~five~~ three issuer positions and precious metal positions ~~by Amount Loaned~~ originating from Schedule 9A and the largest three issuer positions originating from Schedule 9B, ranked by Final adjusted amount loaned in which there is a concentration exposure. Concentration exposures in issuer positions exceeding the thresholds described in Notes 8(a) and 8(b) are ranked first on Schedule 9.

12. For Schedule 9A positions, the concentration charge relating to long positions is limited to the loan value of the issuer security(ies) or precious metal position for which the charge is incurred. For Schedule 9B positions, the concentration charge is limited to the risk-weighted loan value of the issuer security(ies) as calculated for long positions, which is also applicable for short positions.

Other

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FORM 1, PART II – SCHEDULE 9

NOTES AND INSTRUCTIONS [Continued]

- ~~11.13.~~ (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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**FORM 1, PART II – SCHEDULE 9** [A](#)

~~DATE:~~

~~(Dealer Member Name)~~

## CONCENTRATION OF SECURITIES

## GENERAL SECURITY TEST

[excluding securities required to be in segregation or safekeeping & debt securities with a margin rate of 10% or less (see [note 5S9](#), [note 3](#) and [S9A, note 3](#))]

[illegible]

[See notes and instructions]

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**FORM 1, PART II – SCHEDULE 9A**  
**NOTES AND INSTRUCTIONS**

**General Security Test**

1. ~~The purpose of this schedule is to~~ Dealer Members must disclose the largest ten issuer positions and precious metal positions ~~that are being relied upon for loan value~~ subject to the General Security Test, 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~~ 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 cited in note 3~~. Precious metal positions are also tested using the General Security Test methodology, and 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.~~ Exclude all:
  - debt securities with a normal margin requirement of 10% or less; and
  - stripped coupons and residuals if they are held on a book based system and are in respect of federal and provincial debt instruments.
4. ~~For the purpose of this schedule, an~~ 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~~

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**Appendix A**

## FORM 1, PART II – SCHEDULE 9A

NOTES AND INSTRUCTIONS ~~[Continued]~~

~~days or more past settlement and is not confirmed for 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.~~

**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.);~~

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**Appendix A**

**IIROC Notice 21-0028 – Rules Notice – Notice of Approval/Implementation – Amendments to Dealer Member Rules and Form 1 regarding the securities concentration test and designated rating organizations**

## FORM 1, PART II – SCHEDULE 9A

NOTES AND INSTRUCTIONS ~~[Continued]~~

~~(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.~~

~~(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~~

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## FORM 1, PART II – SCHEDULE 9A

NOTES AND INSTRUCTIONS ~~[Continued]~~

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.~~

~~(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 on the date the over exposure first occurs.~~

~~(b) A measure of discretion is left with the Corporation 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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**FORM 1, PART II – SCHEDULE 9B**

~~DATE:~~

~~(Dealer Member Name)~~

## CONCENTRATION OF SECURITIES

## DEBT SECURITY TEST

[excluding securities required to be in segregation or safekeeping & ~~debt securities with a margin rate of 10% or less~~ positions reported on Schedule 9A (see S9, note 53)]

[illegible]

[See notes and instructions]

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**FORM 1, PART II – SCHEDULE 9B**  
**NOTES AND INSTRUCTIONS**

**General Debt Security Test**

1. ~~The purpose of this schedule is to~~ Dealer Members must disclose the largest ten issuer positions ~~and precious metal positions that are being relied upon for loan value~~ subject to the Debt Security Test, 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~~ The Debt Security Test methodology applies to debt securities with a normal margin requirement of 10% or less, whose concentration exposures are calculated separately from the other securities of an issuer included for testing under the General Security Test. An issuer position must include all debt issuance classes or series of securities for an issuer (i.e. all long and short positions in ~~equity, convertibles, debt or other securities of an issuer~~ with a normal margin requirement of 10% or less, 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~~ cited in Note 3).
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 for 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 9B**  
**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.
- (e) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.

**Concentration Charge**

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**Appendix A**

**IIROC Notice 21-0028 – Rules Notice – Notice of Approval/Implementation – Amendments to Dealer Member Rules and Form 1 regarding the securities concentration test and designated rating organizations**



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

- ~~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.~~
- ~~(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**

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## FORM 1, PART II – SCHEDULE 9B

## NOTES AND INSTRUCTIONS [Continued]

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 on the date the over exposure first occurs.~~
- (b) ~~A measure of discretion is left with the Corporation 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”.~~

Exclude non-commercial debt securities with a normal margin requirement of 10% or less and debt obligations and evidences of indebtedness with an original maturity of 1 year or less, as categorized below, that meet the following minimum *designated rating organization* current credit rating requirements and qualifications:

<u>Exclusions from Schedule 9B</u>			
<u>Category</u>		<u>Minimum designated rating organization current credit rating</u>	<u>Qualification(s)</u>
<u>1.</u>	<u>Non-commercial debt securities with a normal margin rate of less than 10%, issued or guaranteed by the following:</u> <ul style="list-style-type: none"> <li><u>national governments of Canada, United Kingdom, and United States</u></li> <li><u>Canadian provincial governments</u></li> <li><u>the International Bank for Reconstruction and Development</u></li> <li><u>Canadian and United Kingdom municipal corporations</u></li> </ul>	<u>Not applicable</u>	<u>Not applicable (N/A)</u>
<u>2.</u>	<u>Other non-commercial debt securities with a normal margin rate of 10% or less</u>	<u>A</u>	
<u>3.</u>	<u>Debt obligations and other evidences of indebtedness with an original maturity of 1 year or less, issued or guaranteed by the following:</u> <ul style="list-style-type: none"> <li><u>A Canadian financial institution qualifying as an acceptable institution</u></li> <li><u>A foreign financial institution qualifying as an acceptable institution</u></li> </ul>	<u>R-1(low), F1, P-1, A-1(low)</u>	<u>Structured finance products as defined in National Instrument 25-101 are not eligible for exclusion</u>

Additional netting allowance for Dealer Member’s own position and client position

4. Security positions that qualify for a margin offset may be excluded, as detailed in Schedule 9, Notes 5(a) and 6(a). The remaining net long (short) Dealer Member’s own inventory position may be calculated on a net basis. Individual client account positions are also eligible for this netting allowance. The offsetting of positions is allowed if:

- the positions are of the same seniority, or
- the short position is junior in the statutory creditor hierarchy, or contractually subordinated, to the long position.

It is not permitted to net the Dealer Member’s own position against client positions, or to net exposures across client accounts. Netting across client accounts is only permitted in accordance with IIROC Rule 5830, supported by a written hedge agreement in a form acceptable to IIROC.

Additional amount loaned adjustments available for the Debt Security Test

5. The amount loaned may be reduced by applying a risk-weighting adjustment factor if the debt security(ies) meets the minimum current credit requirement from at least one *designated rating organization* as indicated in the following table:

<u>Risk-weighting adjustments for debt securities margined at 10% or less</u>
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**FORM 1, PART II – SCHEDULE 9B**  
**NOTES AND INSTRUCTIONS [Continued]**

NOTES AND DISCLOSURES (continued)

	<u>Minimum designated rating organization rating</u>	<u>Adjustment factor</u>	<u>Multiple designated rating organization current credit ratings</u>
<u>Long term rating:</u>			<u>If only one current credit rating, that rating applies.</u> <u>If two current credit ratings, the lower rating applies.</u> <u>If more than two current credit ratings, refer to the highest two ratings and apply the lower rating.</u>
<u>1.</u>	<u>AAA</u>	<u>40%</u>	
<u>2.</u>	<u>AA to A</u>	<u>50%</u>	
<u>3.</u>	<u>BBB</u>	<u>60%</u>	
<u>4.</u>	<u>Below BBB or not rated</u>	<u>80%</u>	
<u>Short term rating:</u>			
<u>5.</u>	<u>Above R-2, F3, P-3, A-3</u>	<u>40%</u>	
<u>6.</u>	<u>R-2, F3, P-3, A-3</u>	<u>60%</u>	
<u>7.</u>	<u>Below R-2, F3, P-3, A-3 or not rated</u>	<u>80%</u>	

6. In order to qualify for a risk-weighting adjustment factor, the following additional eligibility standards apply:

- commercial debt securities must be ranked senior to any outstanding equity securities from the same issuer in the statutory creditor hierarchy, or contractually
- structured finance products as defined in National Instrument 25-101 are risk-weighted at 80%.

**2-step methodology for determining risk-weighting adjustment factor**

7. Step 1: Calculate the issuer's risk-weighted amount loaned using the highest determined adjustment factor (i.e. lowest applicable DRO rating or not rated in Note 5) for all debt issue exposures held for that issuer. If the risk-weighted amount loaned calculated in Step 1 does not exceed any of the concentration thresholds detailed in Schedule 9, Notes 8(a), 8(b), 8(c), 8(d), there is no need to make any additional risk-weighting calculations.

Step 2: Option to use a weighted average adjustment factor to calculate the risk-weighted amount loaned:

1. calculate the weights for each applicable adjustment factor within the aggregate Amount Loaned exposure (Schedule 9B, Column 9) for the issuer.
2. multiply each adjustment factor by its weight in the aggregate Amount Loaned exposure.
3. add the weighted adjustment factors together to determine the weighted average adjustment factor.

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