

**13.1.2 Approval of Amendments to IDA Regulation
100.4 – Capital share, Convertible Security and
Exercisable Security Offsets – Notice of
Commission Approval**

**AMENDMENTS TO IDA REGULATION 100.4 – CAPITAL
SHARE, CONVERTIBLE SECURITY AND EXERCISABLE
SECURITY OFFSETS**

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved amendments to IDA Regulation 100.4 regarding capital share, convertible security and exercisable security offsets. The Alberta Securities Commission approved and the British Columbia Securities Commission did not object to these amendments. The purpose of the amendments is to establish specific capital and margin requirements for capital share, convertible security and exercisable security offsets that are reflective of their market risk. A copy and description of these amendments were published on November 8, 2002 at (2002) 25 OSCB 7402. No comments were received. The final amendments to Regulation 100.4G(d) to 100.4G(e) blacklined from the version published on November 8, 2002 are contained in Appendix "A".

APPENDIX "A"

**The Final Amendments to Regulation 100.4G(d) and
100.4G(e)**

**Reg. 100.4G(d) - Long capital shares and short call
option contracts**

Where capital shares are carried long in an account and the account is also short an equivalent number of call option contracts expiring on or before the redemption date of the capital shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the sum of:

- (i) the lesser of:
 - (A) the normal capital required (credit required in the case of customer account positions) on the underlying common shares capital shares less, if any, the market value of the premium credit on the short call option, but cannot reduce the capital required to less than zero; and
 - (B) any excess of the market value of the underlying common shares over the aggregate exercise value of the Call Options over the normal loan value of the underlying common shares;

and

- (ii) the capital share conversion loss, if any; and
- (iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

**Reg. 100.4G(e) - Long common shares and short
capital shares**

Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for Member firm and customer account positions respectively, shall be equal to the greater sum of:

- (i) the sum-lesser of:
 - (A) the sum of:
 - (AI) the capital share conversion loss, if any; and
 - (BII) the normal capital required (margin required in the case of customer account positions) on

the equivalent number of preferred shares; and

- (B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;
- (C) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

and

- (ii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares. the normal capital required (margin required in the case of customer account positions) on the underlying common shares.