

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Amendments to the Notes and Instructions to Schedule 5 of Form 1 Relating to Approved Inter-Dealer Bond Brokers

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO THE NOTES AND INSTRUCTIONS TO SCHEDULE 5 OF FORM 1 RELATING TO APPROVED INTER-DEALER BOND BROKERS

I Overview

A Current rules

Note 7 of the Notes and Instructions to Schedule 5 of Form 1 lists inter-dealer bond brokers with which Member firms may transact with on a value for value basis for customer account margin purposes. As the list changes, a specific rule amendment must be drafted and approved by the board on a periodic basis to reflect the necessary addition and deletion of inter-dealer bond broker names.

B The issue

It is not an efficient use of time to require each SRO board to pass a rule change to update the list of approved list of inter-dealer bond brokers. Rather, a more efficient approach (adopted previously for the lists "Basle Accord Countries" and "regulated entities") would be to allow Association staff to produce a list of approved inter-dealer bond brokers on a periodic basis through the issuance of a Member Regulation Notice.

C Objective

The objective of the proposed amendments is to adopt a more efficient approach for updating the list of approved inter-dealer bond brokers. The specific proposal is to delete the list of inter-dealer bond broker names set out in Note 7 of the Notes and Instructions to Schedule 5 of Form 1 and instead refer to a list of approved inter-dealer bond brokers that will be published from time to time by Association and Bourse de Montreal staff through the issuance of a regulatory notice.

D Effect of proposed rules

Adoption of the attached proposed amendments will enable more efficient updating of approved list of inter-dealer bond brokers. These amendments are housekeeping in nature and, as a result, will have no impacts in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

II Detailed Analysis

A Present rules, relevant history and proposed policy

The current use of the approved list of inter-dealer bond brokers, its relevant history and the proposed amendments to the approach to be taken to update this list, have already been adequately addressed above. As these proposed amendments are housekeeping in nature, a detailed discussion of the proposed amendments was considered unnecessary.

B Issues and alternatives considered

No alternatives were considered.

C Comparison with similar provisions

As this amendment is considered to be housekeeping in nature it has not been compared to the requirements of other regulators.

D Systems impact of rule

There are no system impacts associated with this proposed amendment. The Bourse de Montreal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the Association and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that this housekeeping rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the Association shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposal. The purposes of the proposal are to:

- provide for the administration of the affairs of the Association (by adopting a more efficient approach for updating the list of approved inter-dealer bond brokers)

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The Association has determined that the entry into force of these proposed amendments is housekeeping in nature.

III Commentary

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia and Ontario and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections the amendment is of this housekeeping rule will be effective in addressing the issues discussed above.

C Process

The proposed amendment was developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV Sources

References:

- IDA Rulebook Form 1, Schedule 5

V OSC Requirement to Publish for Comment

The Association has determined that the entry into force of these proposed amendments is housekeeping in nature. As a result, a determination has been made that these proposed rule amendments need not be published for comment.

INVESTMENT DEALERS ASSOCIATION OF CANADA

**AMENDMENTS TO THE NOTES AND
INSTRUCTIONS TO SCHEDULE 5 OF FORM 1
RELATING TO APPROVED
INTER-DEALER BOND BROKERS**

BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Note 7 of the Notes and Instructions to Schedule 5 of Form 1 is amended by deleting the words "The following are approved:" and list of inter-dealer bond broker and replacing these words with:

"Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by the IDA and the Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice."

2. Note 8 of the Notes and Instructions to Schedule 5 of Form 1 is amended by deleting the words "approved list above." and replacing them with the words "list of approved inter-dealer bond brokers."

PASSED AND ENACTED BY THE Board of Directors this 14th day of April 2004, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

**AMENDMENTS TO THE NOTES AND
INSTRUCTIONS TO SCHEDULE 5 OF FORM 1
RELATING TO APPROVED
INTER-DEALER BOND BROKERS**

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7. **Line 4(a)** - All balances must be margined in the same way as accounts of Acceptable Counterparties (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as commodity, options and short sale deposits should also be reported on this line. This line should also include balances with approved inter-dealer bond brokers. Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by the IDA and the Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice.
8. **Line 4(b)** - All balances must be margined in the same way as regular clients' accounts (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as commodity, options and short sale deposits should also be reported on this line. This line should also include balances with inter-dealer bond brokers which are not on the list of approved inter-dealer bond brokers.

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7. **Line 4(a)** - All balances must be margined in the same way as accounts of Acceptable Counterparties (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as commodity, options and short sale deposits should also be reported on this line. This line should also include balances with approved inter-dealer bond brokers. ~~The following are approved:~~
- ~~Cantor Fitzgerald Partners~~
 - ~~Cowen & Company~~
 - ~~Euro Brokers Canada Ltd~~
 - ~~Freedom International Brokerage Inc.~~
 - ~~Garban Canada~~
 - ~~M.W. Marshall Securities (Canada) Limited~~
 - ~~Prebon Yamane (Canada) Limited~~
 - ~~Exco Shorecan Limited~~
 - ~~Tullet & Tokyo Securities (Canada) Limited~~
- Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by the IDA and the Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice.
8. **Line 4(b)** - All balances must be margined in the same way as regular clients' accounts (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as commodity, options and short sale deposits should also be reported on this line. This line should also include balances with inter-dealer bond brokers which are not on the ~~approved list~~ above list of approved inter-dealer bond brokers.