

13.1.2 IDA Proposed Amendments to the Insurance Requirements – Regulation 400

INVESTMENT DEALERS ASSOCIATION OF CANADA –

PROPOSED AMENDMENTS TO THE INSURANCE REQUIREMENTS – REGULATION 400

**I OVERVIEW**

**A Current Rules**

The current rules, as set out in Regulation 400.1, require every Member to keep in force mail insurance against loss arising by reason of any out-going shipments of money or securities, negotiable or non-negotiable, by first class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100 percent coverage.

**B The Issue(s)**

Insurance companies have expressed concern about using the word “money” in Regulation 400.1, which can be interpreted as “cash” since they do not insure such shipments. Furthermore, insurers have also stated they would not insure any mail shipment that is not registered.

The proposed revision removes the reference to “money” since no “money” should be shipped using mail. The wording proposes to limit mail shipments to “registered mail” since no insurance provider will insure any shipment using mail other than registered mail. References to first-class mail, registered air mail, express or air express were therefore dropped.

**C Objective(s)**

The objective of the proposed amendments to the insurance requirements, as set out in Regulation 400.1, is to simplify and bring the wording in line with present day accepted practices.

**D Effect of Proposed Rules**

The Association has determined that the entry into force of the proposed amendments to Regulation 400.1 would have no effect on market structure or other rules.

**II DETAILED ANALYSIS**

**A Present Rules, Relevant History and Proposed Policy**

The proposed amendments outlined below are the result of the recommendations outlined by the Association.

It was concluded that it is incorrect for Members to have mail insurance coverage for money and that mail shipments should be limited to registered mail.

**B Issues and Alternatives Considered**

No other alternatives were considered.

**C Comparison with Similar Provisions**

No comparisons were done.

**D Systems Impact of Rule**

The Association has determined that the proposed rule amendment will have no impact on IDA Members' systems.

**E Best Interests of the Capital Markets**

The Association has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

**F Public Interest Objective**

According to the IDA's Order of Recognition as a self regulatory organization, the IDA 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 proposals with respect to insurance requirements for members. The purpose of the proposed amendments is to standardize industry practices where necessary or desirable for investor protection; and to facilitate an efficient capital-raising process and to facilitate transparent, efficient and fair secondary market trading and the availability to members and investors of information with respect to offers and quotations for and transactions in securities, and efficient clearance and settlement procedures.

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.

As a result the proposed amendments are considered to be in the public interest.

### **III COMMENTARY**

#### **A Filing in Other Jurisdictions**

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

#### **B Effectiveness**

The proposed amendments are simple and effective.

#### **C Process**

The proposed amendments were approved by the FAS Insurance Subcommittee and the Financial Administrators Section.

### **IV SOURCES**

IDA Regulation 400

### **V OSC REQUIREMENT TO PUBLISH FOR COMMENT**

The IDA is required to publish for comment the accompanying Regulation so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Regulation would be in the public interest. Comments are sought on the proposed Regulation. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Maysar Al-Samadi, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19<sup>th</sup> Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Maysar Al-Samadi  
Vice President, Professional Standards  
Investment Dealers Association of Canada  
(416) 943-6902  
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**INVESTMENT DEALERS ASSOCIATION OF CANADA**

**PROPOSED AMENDMENTS TO THE INSURANCE REQUIREMENTS – REGULATION 400**

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. Regulation 400.1 Mail Insurance, is repealed and replaced as follows:

“Every Member shall have mail insurance that covers 100% of losses arising from any out-going shipments of securities, negotiable or non-negotiable, by registered mail. The Vice President of Financial Compliance may exempt a Member from the requirements of Regulation 400.1 if the Member delivers a written undertaking to the Vice President of Financial Compliance that it will not use registered mail for out-going shipments of securities.”

PASSED AND ENACTED BY THE Board of Directors this 18th day of January 2006, to be effective on a date to be determined by Association staff.

**INVESTMENT DEALERS ASSOCIATION OF CANADA**

**REGULATION 400.1 - CLEAN COPY**

400.1. Registered Mail Insurance - Every Member shall have mail insurance that covers 100% of losses arising from out-going shipments of securities, negotiable or non-negotiable, by registered mail. The Vice President of Financial Compliance may exempt a Member from the requirements of Regulation 400.1 if the Member delivers a written undertaking to the Vice President of Financial Compliance that it will not use registered mail for out-going shipments of securities.

**INVESTMENT DEALERS ASSOCIATION OF CANADA**

**REGULATION 400.1 - BLACKLINE COPY**

400.1. Mail Insurance - Every Member shall have mail insurance that covers 100% of losses arising from effect and keep in force mail insurance against loss arising by reason of any out-going shipments of money or securities, negotiable or non-negotiable, by first class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100 percent coverage. The Vice President of Financial Compliance may exempt a Member from the requirements of Regulation 400.1 if the Member delivers a written undertaking to the Vice President of Financial Compliance that it will not use registered mail for out-going shipments of money or securities, negotiable or non negotiable, by first class, registered mail, registered air mail, express or air express.