

Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed amendments to Dealer Member Rule 1200 and to Form 1 relating to the client free credit cash usage limit and client free credit segregation requirements – OSC Staff Notice of Request for Comment

OSC STAFF NOTICE OF REQUEST FOR COMMENT

THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED AMENDMENTS TO DEALER MEMBER RULE 1200 AND TO FORM 1 RELATING TO CLIENT FREE CREDIT CASH USAGE LIMIT AND CLIENT FREE CREDIT SEGREGATION REQUIREMENTS

On March 30, 2016, the Board of Directors (the Board) of the Investment Industry Regulatory Organization of Canada (IIROC) approved the republication for comment of the proposed amendments to Dealer Member Rules 1200 and to Form 1 relating to the client free credit cash usage limit and client free credit segregation requirements (collectively, the “Proposed Amendments”). The Proposed Amendments were originally published for public comment in IIROC Rules Notice 14-0298 as part of a more comprehensive proposal (“Original Proposal”) that also included proposed amendments to the securities concentration test. IIROC has materially changed the Original Proposal by withdrawing the proposed amendments to the securities concentration test, which require further refinement, and will be pursued as a separate proposal.

The primary objective of the Proposed Amendments is to strengthen the prudential framework for IIROC Dealer Members for ensuring the safeguarding of and timely client access to client assets. The Proposed Amendments to the client free credit cash usage limit and client free credit segregation requirements seek to appropriately restrict a Dealer Member’s ability to use client free credit cash balances in the conduct of its business, by reducing the allowable usage ratio to a more appropriate ratio of client free credits to liquid capital (i.e. early warning reserve (EWR)). The Proposed Amendments also make changes to the qualification standards for securities eligible for client free credit segregation purposes and to the client free credit monitoring requirements.

A copy of the IIROC Notice with the Proposed Amendments, including the changes to the Original Proposal is published on our website at <http://www.osc.gov.on.ca>. The comment period ends on May 30, 2016.