

## Chapter 13

# SROs, Marketplaces and Clearing Agencies

### 13.1 SROs

#### 13.1.1 IIROC Rules Notice – Request for Comments – Plain language rule re-write project – Financial and Operational Rules, Rules 4100 through 4900

##### IIROC RULES NOTICE – REQUEST FOR COMMENTS – PLAIN LANGUAGE RULE RE-WRITE PROJECT – FINANCIAL AND OPERATIONAL RULES, RULES 4100 THROUGH 4900

10-0267  
October 8, 2010

#### Summary of the nature and purpose of the proposed Rules

On April 30, 2010, the Board of Directors (“the Board”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) approved the publication for comment of the proposed 4000 series of plain language rules (collectively referred to as the “proposed Rules”).

IIROC has undertaken a project to rewrite its rules in plain language. The primary objective of this project is to develop a set of rules that is clearer and more concise and organized, without changing the rules themselves. In addition, we have identified a number of rules that also require substantive revisions.

The new rules will be submitted to the Board and issued for public comments in 8 tranches. This tranche submitted to the Board and issued for public comments includes the following five sets of substantive and non-substantive change rules:

Rule number and title	Rule type
Rules 4100 and 4200, <i>General Dealer Member Financial Standards</i> ;	Substantive
Rules 4300 and 4400, <i>Protection of Client Assets</i> ;	Substantive
Rules 4500 and 4600, <i>Financing Arrangements</i> ;	Substantive
Rules 4700 and 4800, <i>Operations</i> ; and	Substantive
Rule 4900, <i>Other Internal Control Requirements</i>	Non-substantive

The existing rules relating to *General Dealer Member Financial Standards*, *Protection of Client Assets*, *Financing Arrangements*, and *Operations* have been identified as requiring substantive revision in order to:

- eliminate unnecessary rule provisions;
- clarify IIROC’s expectations with respect to certain rules;
- ensure that the rules reflect current industry practices;
- ensure consistency with other IIROC Dealer Member rules; and
- streamline the decision making and rule interpretation process.

Proposed Rules 4100 and 4200, “*General Member Financial Standards*” are a consolidation of the relevant requirements currently in IIROC Dealer Member Rules 16, 17, 30, 200, 300, 1100, 1400 and 2600.

Proposed Rules 4300 and 4400, “*Protection of Client Assets*” are a consolidation of the relevant requirements currently in IIROC Dealer Member Rules 1, 17, 300, 400, 1200, 2000 and 2600, and Form 1.

Proposed Rules 4500 and 4600, "*Financing Arrangements*" are a consolidation of the relevant requirements currently in IIROC Dealer Member Rules 100, 2200, 3000, and Form 1.

Proposed Rules 4700 and 4800, "*Operations*" are a consolidation of the relevant requirements currently in IIROC Dealer Member Rules 17, 800 and 2300.

Proposed Rule 4900, "*Other Internal Control Requirements*" is a rewrite of current Dealer Member Rule 2600's Internal Control Policy Statement 8.

### **Issues and specific proposed amendments**

#### ***Current rules***

Other than the proposed substantive revisions set out below, the proposed 4000 series of Rules do not create any new obligations for Dealer Members.

#### ***Proposed rules***

In addition to the plain language rewrite of the existing requirements to create proposed Rules 4100 and 4200, the following substantive amendments are proposed:

- *Exclusion of discretionary early warning situations from the early warning level 2 frequency test:* The proposed amendment specifically excludes discretionary early warning situations (level 1 and 2) from the early warning level 2 frequency test. The use of the discretionary early warning designation is intended to apply immediately and, once the condition of the Dealer Member is satisfactory, the designation is immediately removed. This designation was never intended to trigger the early warning level 2 frequency test. Without this substantive amendment, a Dealer Member may be classified as being in early warning several months after the situation that triggered the discretionary early warning has been remedied. [4132(1)]
- *Corporation's monthly reporting requirement for early warning levels 1 and 2:* The current rules require IIROC to report monthly to the applicable District Council where a Dealer Member (without naming the Dealer Member) is designated as being in early warning level 1 or 2. There is no ongoing need for this reporting requirement as the District Council plays no role in determining whether to classify a Dealer Member as being in early warning. Further, if a Dealer Member is classified as being in early warning, a hearing process is provided should they wish to appeal any business restriction imposed by IIROC staff. The proposed amendment will eliminate this District Council reporting requirement. [N/A]
- *Cost reimbursement for early warning level 1:* The proposed amendment will extend the early warning level cost reimbursement provision to early warning level 1 situations. The current rule provision only applies to early warning level 2 situations. Under this revised provision, IIROC may require any Dealer Member classified as being in early warning to pay for IIROC's costs and expenses incurred to administer the Dealer Member's early warning situation. [4133(1)]
- *Extending deadline for financial filings:* The proposed amendment gives IIROC the discretion to grant a time extension to a Dealer Member for filing its monthly or annual financial report. The proposed amendment also requires the Dealer Member to make its extension request in writing. This revision is reflective of industry practice. [4152(3)]
- *Approval of list of approved auditors:* The proposed amendment would give IIROC the authority to assemble the list of audit firms that are approved to audit IIROC Dealer Members. The current rule requires District Council approval of the list of approved audit firms. [4171(1) and (2)]
- *Review the Dealer Member's position balancing and account reconciliations:* The proposed amendments replace the term "*commodity and option contracts*" with the term "*derivatives*" and replace the term "*mutual funds*" with the term "*non-certificated instruments*". These revisions allow the position balancing and reconciliation requirements to be extended to other derivatives and non-certificated instruments. [4179(1)]
- *Obtain written positive confirmations:* The proposed amendments replace the term "*commodity and option contracts*" with the term "*derivatives*" and replace the term "*mutual funds*" with the term "*non-certificated instruments*". These revisions allow the confirmation requirements to be extended to other derivatives and non-certificated instruments. [4182(1)]

- *Bond quotations to the press under IIROC's name:* The proposed amendment no longer requires a Dealer Member who provides bond quotations to the press to provide those bond quotations under IIROC's name. The requirement was removed because IIROC no longer plays a role in the pricing of bonds. [N/A]

In addition to the plain language rewrite of existing requirements to create proposed Rules 4300 and 4400, the following substantive amendments are proposed:

- *Fully paid and excess margin securities:* The proposed rule clarifies IIROC's expectation that a Dealer Member may only use a client's fully paid and excess margin securities if it obtains the express written approval of the client through the execution of a cash and securities loan agreement. The current requirements do not explicitly describe the circumstances under which a Dealer Member may use a client's fully paid and excess margin securities; rather they simply state that these securities are not to be used improperly by the Dealer Member. [4312(2)]
- *Records of segregated securities:* The proposed rule clarifies IIROC's expectation that the description of the segregated securities must be in substance a fair representation of how the securities are being held in segregation at a custodian. The current requirements specify how segregated securities are to be described on a Dealer Member's security position record (or related records) and customer's ledger and statement of account, but do not specify that these records and accounts must be a fair representation of how these securities are held at a custodian. [4328(1)]
- *Annual approval of foreign institutions or securities dealers as an acceptable securities location:* The proposed rule clarifies IIROC's expectations that the annual approval of foreign institutions and foreign securities dealers as "acceptable securities locations" must be evidenced within the Dealer Member Board of Director minutes. The current requirements for auditors allude to an annual Board of Director approval but do not specify how this approval is to be documented. [4350(2)]
- *Custodial indemnification clause:* The current rules for Dealer Member custodial agreements require the inclusion of three minimum agreement clauses. The standard form custodial agreement published by IIROC includes a fourth clause not specified within the current rules. This fourth clause provides important added protection to a Dealer Member by requiring that the custodian indemnify the Dealer Member against any and all Dealer Member losses that result from the custodian's failure to return any securities or property to the Dealer Member. This custodial indemnification clause also limits the custodian's liability to the market value of the securities or property. Use of this clause is standard industry practice. The proposed rule adds the custodial indemnification clause as a fourth minimum agreement clause. [4352(1)(iv)]
- *Bare trustee custodial agreement:* A bare trustee custodial agreement is a written custodial agreement between IIROC (acting on behalf of all of its Dealer Members) and a custodian outlining the terms upon which book-based security positions are held with the custodian. The current rules require Dealer Members to execute written custodial agreements with all organizations holding securities for their clients but do not specify the bare trustee custodial agreement as an acceptable form of written custodial agreement. The proposed rule recognizes the bare trustee custodial agreement as an acceptable form of written custodial agreement for book-based security holdings and reflects current industry practice. [4353(1)]
- *Annual audit confirmations and difference account:* The current rules require that a Dealer Member's auditor obtain annual positive written confirmation of all security positions held at acceptable securities locations. The rules do not state what must be done if the confirmation is not received. Comparable current rules for securities held at transfer locations require that, after a certain number of days, the unconfirmed positions be moved to a difference account and be treated as a segregation deficiency. The proposed rule reflects current industry practice and ensures consistency with other Dealer Member rules by requiring that the unconfirmed positions be moved to a difference account if a positive annual written confirmation is not received. [4355(2)]
- *Reconciliation of books and records for deposit investment contracts:* The current rules specify that a Dealer Member must provide margin on mutual fund positions if the Dealer Member does not reconcile them on a monthly basis but does not require the same for deposit investment contract (e.g. guaranteed investment certificates) positions. Previous guidance issued does explicitly state that a Dealer Member must reconcile its books and records of its holdings of deposit investment contracts at least monthly with the issuer's records. The proposed rule adds both monthly reconciliation and capital requirements for deposit investment contract positions. This proposed change codifies previously issued guidance and is consistent with the current rule treatment of other investment products. [4360(1)]
- *Insurance reduction application:* The current rules specify that the applicable District Council has the authority, with IIROC's recommendation, to approve a Dealer Member's application to reduce the amount of insurance for a period of

six months that the Dealer Member must maintain. The current rules also specify that the applicable District Council, with IIROC's recommendation, has the authority to renew the Dealer Member's insurance reduction application. These proposed changes remove the insurance reduction application and renewal requirements, which have never been used. [N/A]

In addition to the plain language rewrite of existing requirements to create proposed Rules 4500 and 4600, the following substantive amendments are proposed:

- *General collateral:* The proposed rule expands upon the definition of general collateral to specifically include Government of Canada real-return bonds, strips and coupons. This revision is reflective of industry practice and is intended to provide greater flexibility to Dealer Members in negotiating repurchase and reverse repurchase (repo) transactions. [4511(1)(iii)]
- *Marking to market:* The proposed rule ensures consistency with current industry practice for marking to market and the notification of marks. The current requirement specifies that the marking of a counterparty shall be done by 11:30 a.m. (Toronto time) and that the mark-to-market should be done on a net basis rather than marking on a specific issue by issue basis. In practice, these terms are generally handled bilaterally and specified within Standard Industry Agreements. As a result, the proposed rule includes the proviso "unless otherwise agreed by the parties" to account for customized bilateral agreements. [4513(2)]

In addition to the plain language rewrite of existing requirements to create proposed Rules 4700 and 4800, the following substantive amendments are proposed:

- *Annual review and test of business continuity plan:* The proposed amendment adds the requirement for a Dealer Member's senior management to annually approve the Dealer Member's business continuity plan. This requirement was set out as an expectation in previous guidance. [4714(1)(ii)]
- *Membership in other trading organizations or associations:* The current rules prohibit a Dealer Member from becoming a member or continuing as a member of any Canadian bond trading organization unless the organization agrees to observe the IIROC rules for trading and delivery of securities. The proposed rule eliminates this prohibition, because it is unnecessary. [N/A]
- *Delivery through CDS:* The current rules state how securities must be delivered through CDS Clearing and Depository Services Inc. (CDS). The proposed rule eliminates these requirements since Dealer Members who are CDS participants are already required to report and settle trades in accordance with CDS's rules and procedures. [N/A]
- *Use of a clearing corporation:* The current rules require that a Dealer Member who reports a trade to a clearing corporation (such as CDS Clearing and Depository Services Inc.) for settlement must do so in accordance with the requirements of the clearing corporation. The current rules are unclear as to what requirements apply when both trade parties agree to settle a trade without using a clearing corporation. The proposed rules clarify that IIROC's settlement requirements apply when a trade is to be settled without using a clearing corporation. [4752(3)]
- *Forbidden transactions:* The current rule states that if a Dealer Member is in doubt as to whether a specific type of transaction is forbidden, it is recommended that the Dealer Member obtain a ruling on a similar hypothetical case from the Chair of the District Council of his or her District. The proposed rule eliminates this requirement, because Dealer Members are already required to ensure their transactions are in compliance with IIROC's rules and securities legislation. [N/A]
- *Fixed income physical delivery time:* The current rule states that in the case of dealings between Dealer Members in the same municipality, physical delivery by the seller should be completed before 5:30 p.m. on a clearing day if the trade is to be settled outside of a settlement service. The current rule is outdated as a most banking arrangements must be completed before 4:30 p.m. The proposed rule updates the clearing day delivery time to 4:30 p.m. [4761(5)(i)]
- *Timing in assuming margin responsibility for an account transfer:* The current rule is silent on when the receiving Dealer Member must assume responsibility for margining an account that is in the process of being transferred in. The proposed rule introduces a start date of the earlier of: (i) the date all the assets and money balances have being transferred; and (ii) 10 clearing days after it has received the transfer request from the delivering Dealer Member. [4813(1)]

The full text of the proposed plain language 4000 series of Dealer Member Rules is attached.

### **Rule-making process**

IIROC Staff involved representatives of Dealer Members in the rule development process, through preliminary consultations. Every rule in the proposed 4000 series of rules was available to all Dealer Members for their input through a Members-only website. The Financial Administrators Section and its Capital Formula and Operations Sub-committees also reviewed and provided comment on all substantive change rules within the proposed 4000 series of rules. A number of changes to the draft proposal were made in response to the comments IIROC received through these consultations.

The proposed Rules were approved for publication by the IIROC Board of Directors on April 30, 2010.

The text of proposed plain language 4000 series of rules is set out in Attachment A. The text of guidance notes and instructions relating to the proposed 4000 series of rules is set out in Attachment B. The text of the existing Dealer Member Rules to be repealed is set out in Attachment C. A table of concordance is included as Attachment D.

### **Issues and alternatives considered**

An alternative to the inclusion of the substantive amendments being proposed was to leave the rules substantively as they were prior to the plain language rewrite. IIROC staff considered other pending projects and proposals as well as the extent of the potential substantive changes identified in order to decide which of the substantive changes would be proposed as part of the plain language rule rewrite project. Those substantive changes that were originally identified as part of the plain language rule rewrite project, but which were ultimately excluded from the plain language rewrite project will be pursued as separate rulemaking projects.

### **Proposed Rule classification**

Statements have been made elsewhere as to the nature and effects of the proposed Rules. The purposes of the proposed Rules are to:

- Ensure compliance with securities laws;
- Prevent fraudulent and manipulative acts and practices;
- Promote just and equitable principles of trade and emphasize the duty to act fairly, honestly and in good faith;
- Foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities;
- Foster fair, equitable and ethical business standards and practices; and
- Promote the protection of investors.

IIROC staff proposes that rules regarding general Dealer Member financial standards, protection of client assets, financing arrangement, operations, and other internal control requirements should be rewritten to reflect actual IIROC expectations, to enhance the clarity of the rule, to ensure consistency with other IIROC Dealer Member rules and to streamline the decision making and rule interpretation process. These amendments are in addition to the plain language rewrite of the existing rule provisions. The Board has determined that the proposed amendments are not contrary to the public interest.

Due to the extent and substantive nature of these proposed amendments, they have been classified as Public Comment Rule proposals.

### **Effects of proposed Rule on market structure, Dealer Members, non-members, competition and costs of compliance**

With the proposed 4000 series of plain language Rules, Dealer Members and investors will benefit from the enhanced clarity and certainty in the proposed Rules relating to general Dealer Member financial standards, protection of client assets, financing arrangements, operations, and other internal control requirements.

The proposed Rules will not have any significant effects on Dealer Members or non-Dealer Members, market structure or competition. Furthermore, it is not expected that there will be any significant, increased costs of compliance as a result of the proposed Rules.

The proposed Rules do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in the furtherance of IIROC's regulatory objectives. The proposed Rules do not impose costs or restrictions on the activities of market participants that are disproportionate to the goals of the regulatory objectives sought to be realized.

**Technological implications and implementation plan**

There should not be significant technological implications for Dealer Members as a result of the proposed amendments. The proposed 4000 series of plain language Rules will be implemented at the same time as the rest of the plain language rules.

**Request for public comment**

Comments are sought on the proposed amendments. Comments should be made in writing. Two copies of each comment letter should be delivered within 90 days of the publication of this notice. One copy should be addressed to the attention of:

Answerd Ramcharan  
Specialist, Member Regulation Policy  
Investment Industry Regulatory Organization of Canada  
(416) 943-5850  
aramcharan@iiroc.ca

A second copy should be addressed to the attention of:

Manager of Market Regulation  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario  
M5H 3S8  
marketregulation@osc.gov.on.ca

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website ([www.iiroc.ca](http://www.iiroc.ca) under the heading "IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received").

Questions may be referred to:

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**Attachments**

Attachment A - Text of the proposed 4000 series of rules

Attachment B - Test of guidance notes and instructions relating to the proposed 4000 series of rules

**SROs, Marketplaces and Clearing Agencies**

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Attachment C - Text of the existing relevant provisions of Dealer Member Rules 1, 16, 17, 100, 200, 300, 400, 800, 1100, 1200, 1400, 2000, 2200, 2300, 2600, and 3000

Attachment D - Table of Concordance

## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

DEALER MEMBER FINANCIAL AND OPERATIONAL RULES  
PLAIN LANGUAGE RULES 4100 THROUGH 4900  
PROPOSED AMENDMENTS

1. As part of a project to rewrite IIROC Rules in plain language, the following current rules are repealed and replaced:

Repealed current rule	Proposed plain language rule
New	<p style="text-align: center;"><b>Rules 4100 and 4200 – General Dealer Member Financial Standards</b></p> <p><b>4101. Introduction</b></p> <p>(1) Rules 4100 and 4200 set out the following Dealer Member general financial requirements:</p> <ul style="list-style-type: none"> <li>(i) Minimum capital level and related requirements <i>[Part A, Sections 4110 through 4118]</i>;</li> <li>(ii) Early Warning System tests and related requirements <i>[Part B, Sections 4130 through 4138]</i>;</li> <li>(iii) Regulatory financial report filing requirements <i>[Part C, Sections 4150 through 4153]</i>;</li> <li>(iv) Appointment of auditors and audit requirements <i>[Part D, Sections 4170 through 4192]</i>;</li> <li>(v) Financial disclosure to clients <i>[Part E, Sections 4200 through 4207]</i>;</li> <li>(vi) General internal control requirements <i>[Part F, Sections 4220 through 4225]</i>;</li> <li>(vii) Pricing internal control requirements <i>[Part G, Sections 4240 through 4244]</i>; and</li> <li>(viii) Calculation of prices on a yield basis <i>[Part H, Sections 4260 through 4266]</i>.</li> </ul>
New	<b>4102. - 4109. - Reserved</b>
New New	<p><b>Part A - Minimum capital level and related requirements</b></p> <p><b>4110. Introduction</b></p> <p>(1) Part A of Rule 4100 sets out general Dealer Member requirements for:</p> <ul style="list-style-type: none"> <li>(i) maintaining positive risk adjusted capital;</li> <li>(ii) averting, reporting and remedying capital deficiency situations;</li> <li>(iii) calculating their current capital position;</li> <li>(iv) maintaining and utilizing a capital adequacy reporting system; and</li> <li>(v) consolidating their financial position reporting with related companies.</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 17.1  Rules 17.1 and 2600, Statement 2 – Procedure (6)	<p><b>4111. Maintain risk adjusted capital</b></p> <p>(1) A Dealer Member must at all times maintain risk adjusted capital greater than zero.</p> <p><b>4112. Capital deficiency and early warning situations</b></p> <p>(1) Senior management of a Dealer Member must take prompt action to:</p> <ul style="list-style-type: none"> <li>(i) avert or remedy any projected or actual capital deficiency;</li> <li>(ii) report any <i>risk adjusted capital</i> deficiencies to the Corporation; and</li> <li>(iii) report to the Corporation any circumstances that could require the Dealer Member to be designated in early warning Level 1 or Level 2, including circumstances that should be apparent if the Dealer Member had complied with the requirements of this Rule.</li> </ul>
Rules 17.1, 200.1(k) and 200.1(m)	<p><b>4113. Calculating current capital position - general requirements</b></p> <p>(1) A Dealer Member must calculate risk adjusted capital according to Form 1 and any other requirements the Corporation prescribes.</p> <p>(2) A Dealer Member must know its current capital position by computing it as often as necessary to ensure it has adequate capital at all times. This includes weekly, monthly and annual calculation and documentation.</p>
Rule 2600, Statement 2 – Procedure (5)	<p><b>4114. Calculating current capital position - weekly documentation</b></p> <p>(1) At least weekly, but more frequently if required (e.g., the Dealer Member is operating close to early warning levels or volatile market conditions exist), the Chief Financial Officer or designate must document that he or she has:</p> <ul style="list-style-type: none"> <li>(i) received management reports produced by the Dealer Member's accounting system showing information relevant to estimating the Dealer Member's capital position;</li> <li>(ii) obtained other information about items that, while perhaps not yet recorded in the accounting system, are likely to significantly affect the Dealer Member's capital position (e.g., bad and doubtful debts, unreconciled positions, underwriting and inventory commitments and margin requirements);</li> <li>(iii) estimated the Dealer Member's capital position, compared it to planned capital limits and the prior period, and reported adverse trends or variances to senior management;</li> <li>(iv) estimated the liquidity, capital and, where applicable, profitability tests under the early warning calculations for early warning Level 1 or Level 2 for the Dealer Member.</li> </ul>
Rules 200.1(k), 200.1(m) and 2600, Statement 2 – Procedure (7)	<p><b>4115. Calculating current capital position - monthly documentation and reconciliation</b></p> <p>(1) A Dealer Member must generate monthly trial balances and capital computations based on its current ledger accounts to:</p> <ul style="list-style-type: none"> <li>(i) check on status and accuracy of those ledger accounts; and</li> <li>(ii) keep itself informed of its capital position as required under Part A of Rule 4100.</li> </ul>

Repealed current rule	Proposed plain language rule
<p>Rules 200.1(k), 200.1(m) and 2600, Statement 2 – General and Procedures (2), (3), (4) and (8)</p>	<p>(2) The month-end estimate of risk adjusted capital must be reconciled to the MFR. Material discrepancies must be investigated and steps taken to avoid re-occurrence.</p> <p><b>4116. Dealer Member capital adequacy reporting system</b></p> <p>(1) A Dealer Member must:</p> <ul style="list-style-type: none"> <li>(i) establish and maintain policies and procedures to ensure that its books and records are timely, complete and accurate;</li> <li>(ii) maintain a capital adequacy reporting system: <ul style="list-style-type: none"> <li>(a) based on timely, complete and accurate accounting books and records;</li> <li>(b) that reflects projected capital requirements resulting from current and planned business activities in each of its major functional areas (e.g. capital markets, principal trading, borrowing/lending, etc);</li> <li>(c) that includes senior management approved capital usage limits for each functional area designed to ensure that its combined operations maintain adequate intra-day and end of day <i>risk adjusted capital</i>; and</li> <li>(d) that identifies and informs functional area management of breaches of approved capital usage limits.</li> </ul> </li> <li>(iii) monitor and act on information produced by its capital adequacy reporting system so that it maintains positive <i>risk adjusted capital</i> as prescribed by Corporation requirements;</li> <li>(iv) identify and implement changes, on an ongoing basis, to its capital adequacy reporting system required to reflect developments in its business or in regulatory requirements; and</li> <li>(v) perform and document, at least annually, a supervisory review of its capital adequacy reporting system.</li> </ul> <p>(2) A Dealer Member’s Chief Financial Officer must continuously monitor the Dealer Member’s capital position to ensure that the Dealer Member maintains positive <i>risk adjusted capital</i> as prescribed by Corporation requirements.</p>
<p>Rules 16.02(iv) and (v)</p>	<p><b>4117. Consolidation of financial position with related companies</b></p> <p>(1) In calculating its risk adjusted capital a Dealer Member may consolidate its financial position with the financial position of any of its related companies if:</p> <ul style="list-style-type: none"> <li>(i) the Corporation has given prior approval of the consolidation;</li> <li>(ii) the related company is subject to Corporation requirements;</li> <li>(iii) the Dealer Member has guaranteed the obligations of the <i>related company</i> and the <i>related company</i> has guaranteed the obligations of the Dealer Member;</li> <li>(iv) the guarantees are: <ul style="list-style-type: none"> <li>(a) in a form acceptable to the Corporation; and</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
<p>Rule 200.1(m)</p> <p>New</p>	<p>(b) unlimited in amount; and</p> <p>(v) the consolidation is made according to subsection 4117(2).</p> <p>(2) A Dealer Member consolidating its financial position with a related company under subsection 4117(1) must comply with the following rules or with other requirements acceptable to the Corporation:</p> <p>(i) eliminate inter-company accounts between the Dealer Member and the <i>related company</i>;</p> <p>(ii) eliminate any minority interests in the <i>related company</i> from the capital calculation; and</p> <p>(iii) combine Dealer Member and <i>related company</i> financial information prepared as at the same date.</p> <p><b>4118. Options for calculating risk adjusted capital available to well-capitalized Dealer Members</b></p> <p>(1) A Dealer Member, whose capital position is substantially in excess of that required under Corporation requirements, may apply requirements more stringent than the Corporation capital computation requirements and thereby omit certain documentation in support of the computation. For example, when calculating <i>risk adjusted capital</i>:</p> <p>(i) inventories can be grouped into broader margin categories and maximum margin rates applied;</p> <p>(ii) margin requirement reductions for offset positions recognized elsewhere in the Rules can be ignored; and</p> <p>(iii) assets partly allowable or of questionable value can be excluded entirely.</p> <p><b>4119. - 4129. - Reserved</b></p>
<p>New</p> <p>New</p> <p>Rules 30.1, 30.2 and 30.4</p>	<p><b>Part B - Early Warning Tests and related requirements</b></p> <p><b>4130. Introduction</b></p> <p>(1) Part B of Rule 4100 describes the early warning system that alerts the <i>Corporation</i> to a <i>Dealer Member's</i> financial or operational problems. It also sets out the process the <i>Corporation</i> follows and the requirements that Dealer Members must comply with to resolve early warning alert situations before they worsen.</p> <p>(2) A <i>Dealer Member</i> has a responsibility to:</p> <p>(i) monitor for an early warning violation;</p> <p>(ii) avoid the potential for an early warning violation; and</p> <p>(iii) report an early warning violation to the <i>Corporation</i> when it occurs.</p> <p><b>4131. Definitions</b></p> <p>(1) "<i>Average monthly loss</i>" means the sum of the <i>Dealer Member's</i> monthly <i>profit and loss</i> amounts for a particular period divided by the number of months in the period and the result is a loss.</p>

Repealed current rule	Proposed plain language rule																		
<p>Rules 30.2 and 30.4</p>	<p>(2) “<i>Early warning excess</i>” and “<i>early warning reserve</i>” have the meanings set out in Statement C of Form 1.</p> <p>(3) “<i>Early warning violation</i>” means the <i>Dealer Member</i> has failed an early warning test.</p> <p>(4) “<i>Loss</i>” means the <i>Dealer Member’s</i> loss, if any, before interest on internal subordinated debt, bonuses, income taxes and extraordinary items as set out in Statement E of Form 1.</p> <p>(5) “<i>Risk adjusted capital</i>” and “<i>total margin required</i>” have the meanings set out in Statements B of Form 1.</p> <p><b>4132. Early warning designation, levels and tests</b></p> <p>(1) A <i>Dealer Member</i> is designated as being in early warning level 1 or level 2 if at any time it fails any one of the following tests:</p> <table border="1" data-bbox="613 758 1485 1837"> <thead> <tr> <th data-bbox="618 758 852 835">Early warning tests</th> <th data-bbox="852 758 1170 835">Early warning level 1</th> <th data-bbox="1170 758 1481 835">Early warning level 2</th> </tr> </thead> <tbody> <tr> <td data-bbox="618 835 852 936"><b>Liquidity test</b></td> <td data-bbox="852 835 1170 936"><i>Dealer Member’s early warning reserve</i> is less than zero.</td> <td data-bbox="1170 835 1481 936"><i>Dealer Member’s early warning excess</i> is less than zero.</td> </tr> <tr> <td data-bbox="618 936 852 1066"><b>Capital test</b></td> <td data-bbox="852 936 1170 1066"><i>Dealer Member’s risk adjusted capital</i> is less than 5 per cent of its total margin required.</td> <td data-bbox="1170 936 1481 1066"><i>Dealer Member’s risk adjusted capital</i> is less than 2 per cent of its total margin required.</td> </tr> <tr> <td data-bbox="618 1066 852 1581"><b>Profitability test #1</b></td> <td data-bbox="852 1066 1170 1581"><i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than six times but greater than or equal to three times the absolute value of its <i>average monthly loss</i>, if any, for the six-month period ending with the current month; <b>and</b> <i>Dealer Member’s</i> preceding month <i>risk adjusted capital</i> is less than six times the absolute value of its <i>average monthly loss</i>, if any, for the six-month period ending with the preceding month.</td> <td data-bbox="1170 1066 1481 1581"><i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than three times the absolute value of its <i>average monthly loss</i>, if any, for the six-month period ending with the current month; <b>and</b> <i>Dealer Member’s</i> preceding month <i>risk adjusted capital</i> is less than six times the absolute value of its <i>average monthly loss</i>, if any, for the six-month period ending with the preceding month.</td> </tr> <tr> <td data-bbox="618 1581 852 1738"><b>Profitability test #2</b></td> <td data-bbox="852 1581 1170 1738"><i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than six times the absolute value of its <i>loss</i>, if any, for the current month.</td> <td data-bbox="1170 1581 1481 1738"><i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than three times the absolute value of its <i>loss</i>, if any, for the current month.</td> </tr> <tr> <td data-bbox="618 1738 852 1837"><b>Profitability test #3</b></td> <td data-bbox="852 1738 1170 1837">Not applicable</td> <td data-bbox="1170 1738 1481 1837"><i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than the absolute</td> </tr> </tbody> </table>	Early warning tests	Early warning level 1	Early warning level 2	<b>Liquidity test</b>	<i>Dealer Member’s early warning reserve</i> is less than zero.	<i>Dealer Member’s early warning excess</i> is less than zero.	<b>Capital test</b>	<i>Dealer Member’s risk adjusted capital</i> is less than 5 per cent of its total margin required.	<i>Dealer Member’s risk adjusted capital</i> is less than 2 per cent of its total margin required.	<b>Profitability test #1</b>	<i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than six times but greater than or equal to three times the absolute value of its <i>average monthly loss</i> , if any, for the six-month period ending with the current month; <b>and</b> <i>Dealer Member’s</i> preceding month <i>risk adjusted capital</i> is less than six times the absolute value of its <i>average monthly loss</i> , if any, for the six-month period ending with the preceding month.	<i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than three times the absolute value of its <i>average monthly loss</i> , if any, for the six-month period ending with the current month; <b>and</b> <i>Dealer Member’s</i> preceding month <i>risk adjusted capital</i> is less than six times the absolute value of its <i>average monthly loss</i> , if any, for the six-month period ending with the preceding month.	<b>Profitability test #2</b>	<i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than six times the absolute value of its <i>loss</i> , if any, for the current month.	<i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than three times the absolute value of its <i>loss</i> , if any, for the current month.	<b>Profitability test #3</b>	Not applicable	<i>Dealer Member’s</i> current month <i>risk adjusted capital</i> is less than the absolute
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Repealed current rule	Proposed plain language rule								
Rules 30.3 and 30.5			value of its <i>loss</i> , if any, for the three month period ending with the current month.						
		<b>Frequency</b>	Not applicable  <i>Dealer Member</i> has been designated as being in an early warning, excluding discretionary early warnings, three or more times in the preceding six months; <b>or</b> <i>Dealer Member</i> has failed an early warning level 1 profitability test and at the same time has also failed either an early warning level 1 liquidity or capital test.						
	<p><b>4133. Early warning related requirements</b></p> <p>(1) When a <i>Dealer Member</i> determines that there is an early warning violation:</p>								
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Repealed current rule	Proposed plain language rule		
		Investor Protection Fund.	auditor and the Canadian Investor Protection Fund.
	<b>Meeting with the Corporation</b>	Not applicable	The <i>Dealer Member's</i> chief executive officer and chief financial officer must meet with the <i>Corporation</i> to present the <i>Dealer Member's</i> plan for rectifying the identified problems.
	<b>Taking required actions</b>	<p>A <i>Dealer Member</i> in early warning level 1 must:</p> <ul style="list-style-type: none"> <li>(i) File its next monthly financial report required under section 4151 within 15 business days of month's end or on any earlier day that the <i>Corporation</i> considers practicable;</li> <li>(ii) Provide any other information that the <i>Corporation</i> requests; and</li> <li>(iii) Follow the business restrictions in section 4135.</li> <li>(iv) File its monthly financial reports within the time specified in subsection (1) above as long as it remains in early warning.</li> </ul>	<p>A <i>Dealer Member</i> in early warning level 2 must:</p> <ul style="list-style-type: none"> <li>(i) File a weekly capital report with the same information as a monthly financial report within 5 business days of the end of each week or on any earlier day that the <i>Corporation</i> considers practicable;</li> <li>(ii) File a weekly report, in a <i>Corporation</i>-prescribed form, of its aged-segregation deficiencies and an outline of its plan under to correct them;</li> <li>(iii) File a business plan for such period and covering such matters as the <i>Corporation</i> specifies;</li> <li>(iv) File its next monthly financial report required under section 4151 by the 10th business day after the end of each month or any earlier day that the <i>Corporation</i> considers practicable;</li> <li>(v) Provide any other information that the <i>Corporation</i> requests; and</li> <li>(vi) Follow the business restrictions in section 4135.</li> </ul>

Repealed current rule	Proposed plain language rule	
	<p><b>Responding to the Corporation's letter</b></p>	<p>The Corporation will send a letter to a Dealer Member in early warning level 1 confirming that the Dealer Member is in early warning level 1 and requesting information from the Dealer Member.</p> <p>A Dealer Member will respond to the Corporation's early warning letter within 5 business days:</p> <ul style="list-style-type: none"> <li>(i) with the requested information, <b>or</b></li> <li>(ii) acknowledging it will submit the information promptly, <b>and</b></li> <li>(iii) with an update on the Dealer Member's early warning situation if any material circumstances have changed.</li> </ul> <p>The Dealer Member must send copies of its response letter to its auditor and the Canadian Investor Protection Fund.</p>
	<p><b>On-site reviewing of the Dealer Member's procedures</b></p>	<p>The Corporation will as soon as practicable:</p> <ul style="list-style-type: none"> <li>(i) conduct an on-site review of the Dealer Member's procedures for monitoring capital on daily basis, and</li> <li>(ii) prepare a report as to the results of the review.</li> </ul>
	<p><b>Reimbursing the Corporation for costs</b></p>	<p>The Corporation may require a Dealer Member to pay reasonable costs and expenses incurred to administer the Dealer Member's early warning situation under this Rule.</p>

Repealed current rule	Proposed plain language rule				
Rules 30.2 and 30.4	<p><b>4134. Discretion to designate a Dealer Member as being in early warning</b></p> <p>(1) The <i>Corporation</i> may designate a <i>Dealer Member</i> as being in early warning level 1 or 2 if at any time the condition of the <i>Dealer Member</i> is not satisfactory for any reason including:</p> <ul style="list-style-type: none"> <li>(i) financial or operating difficulties;</li> <li>(ii) problems arising from record-keeping conversion or significant changes in clearing methods;</li> <li>(iii) issues related to being a new <i>Dealer Member</i>; or</li> <li>(iv) lateness in any filing or reporting required by the <i>Corporation</i>.</li> </ul>				
Rule 30.3(iv)	<p><b>4135. Restrictions on a Dealer Member in early warning</b></p> <p>(1) A <i>Dealer Member</i> in early warning must comply with all the <i>Corporation</i> directions. It must also obtain the <i>Corporation's</i> written consent before:</p> <ul style="list-style-type: none"> <li>(i) reducing its capital in any way, including by share redemption, re-purchase or cancellation;</li> <li>(ii) reducing any of its <i>Corporation</i>-approved subordinated indebtedness;</li> <li>(iii) incurring any direct or indirect loan, advance, bonus, dividend, capital or other payments or distributions of assets to any director, officer, partner, shareholder, related company, affiliate or associate; or</li> <li>(iv) incurring any commitments to increase its non-allowable assets.</li> </ul>				
Rules 30.5(j) and 30.6	<p><b>4136. Additional Restrictions</b></p> <p>(1) The <i>Corporation</i> may impose any of the following additional restrictions on a <i>Dealer Member</i> in early warning:</p> <table border="1" data-bbox="613 1234 1487 1633"> <thead> <tr> <th data-bbox="613 1234 1049 1281">Early warning level 1</th> <th data-bbox="1049 1234 1487 1281">Early warning level 2</th> </tr> </thead> <tbody> <tr> <td data-bbox="613 1281 1049 1633">None</td> <td data-bbox="1049 1281 1487 1633"> <ul style="list-style-type: none"> <li>(i) Reducing the amount of clients' free credit balances that the <i>Dealer Member</i> or its carrying broker may use under to an amount the <i>Corporation</i> considers desirable.</li> <li>(ii) Imposing restrictions on a <i>Dealer Member</i> that is designated in early warning level 2 under <i>Rule 20, Part 9, Early Warning Review Proceedings</i>.</li> </ul> </td> </tr> </tbody> </table>	Early warning level 1	Early warning level 2	None	<ul style="list-style-type: none"> <li>(i) Reducing the amount of clients' free credit balances that the <i>Dealer Member</i> or its carrying broker may use under to an amount the <i>Corporation</i> considers desirable.</li> <li>(ii) Imposing restrictions on a <i>Dealer Member</i> that is designated in early warning level 2 under <i>Rule 20, Part 9, Early Warning Review Proceedings</i>.</li> </ul>
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Rule 30.3	<p><b>4137. Prohibited transactions</b></p> <p>(1) A <i>Dealer Member</i> must not enter into any transaction or take any action described in section 4135 that would cause the <i>Dealer Member</i> to be in early warning unless it first notifies the <i>Corporation</i> in writing of its intention to do so and receives the <i>Corporation's</i> written approval.</p>				

Repealed current rule	Proposed plain language rule
Rule 30.8	<p><b>4138. Lifting an early warning designation</b></p> <p>(1) A <i>Dealer Member</i> will remain designated as being in early warning level 1 or 2 until the <i>Corporation</i> confirms in writing that the early warning designation has been lifted. The <i>Corporation</i> will lift the early warning designation when the <i>Dealer Member</i> files a monthly financial report, or submits such other evidence or assurances, that satisfies the <i>Corporation</i> that the <i>Dealer Member</i> has solved the problems that placed it in early warning.</p>
New	<b>4139. -4149. - Reserved</b>
New	<b>Part C – Regulatory financial report filing requirements</b>
New	<p><b>4150. Introduction</b></p> <p>(1) Part C of Rule 4100 sets out a <i>Dealer Member's</i> financial reporting obligations. Financial reporting enables the <i>Corporation</i> to monitor a <i>Dealer Member's</i> financial position and compliance with capital requirements, as well as to receive early warning of any deterioration in that position.</p>
Rule 16.2	<p><b>4151. Dealer Member financial filings <a href="#">[LINK GN 4150-1]</a></b></p> <p>(1) A <i>Dealer Member</i> must file:</p> <ul style="list-style-type: none"> <li>(i) an audited <i>Form 1</i> for its fiscal year; and</li> <li>(ii) a monthly financial report (MFR) for each calendar month, <a href="#">[LINK Form 1]</a>, in accordance with <i>Corporation</i> requirements. <a href="#">[LINK Instructions 4150-1]</a></li> </ul>
Rule 16.2(iii)	<p><b>4152. Extending deadline for financial filings</b></p> <p>(1) A <i>Dealer Member</i> may request an extension of time for filing its MFR by writing to the <i>Corporation</i>.</p> <p>(2) A <i>Dealer Member's</i> auditor may request an extension of time for filing the <i>Dealer Member's</i> annual <i>Form 1</i> by writing to the <i>Corporation</i>.</p> <p>(3) The <i>Corporation</i> may grant an extension under subsections 4152(1) and (2) if it considers the request to be appropriate in the circumstances.</p>
Rule 16.10	<p><b>4153. Late filing fee</b></p> <p>(1) A <i>Dealer Member</i> must pay a fee <a href="#">[LINK Instructions 4150-1]</a> to the <i>Corporation</i> if it does not file a document or information required under Part C of Rule 4100 within the time prescribed by the <i>Corporation</i>.</p>
New	<b>4154. - 4159. - Reserved</b>
New	<b>Part D – Appointment of auditors and audit requirements</b>
New	<p><b>4170. Introduction</b></p> <p>(1) Part D of Rule 4100 sets out the minimum requirements for the appointment of auditors and for the conducting of audits. The audit requirements ensure that auditors test for specific financial and regulatory compliance issues and report any breaches of rules or standards to the <i>Corporation</i>.</p>
Rule 16.1	<p><b>4171. Approved auditors</b></p> <p>(1) The <i>Corporation</i> annually approves, based on adopted criteria <a href="#">[LINK Criteria for Panel Auditors]</a>, a list of audit firms as panel auditors eligible to perform a <i>Dealer Member's</i> annual audit.</p>

Repealed current rule	Proposed plain language rule
Rule 16.1	<p>(2) The <i>Corporation</i> may remove an audit firm from the approved list if the audit firm no longer meets the criteria in subsection (1).</p> <p><b>4172. Dealer Member's auditor</b></p>
Rule 16.5 (Remainder of 1 <sup>st</sup> sentence)	<p>(1) A <i>Dealer Member</i> must use a <i>Corporation</i>-approved auditor.</p> <p><b>4173. Responsibilities of a Dealer Member's auditor</b></p> <p>(1) The <i>Dealer Member's</i> auditor must:</p> <p>(i) conduct an audit of the <i>Dealer Member's</i> annual <i>Form 1</i> filing; and</p> <p>(ii) carry out procedures of sufficient scope during the audit to enable the auditor to express an opinion on the <i>Dealer Member's</i> annual <i>Form 1</i> filing.</p>
Rule 300.2 (End of 1 <sup>st</sup> sentence)	<p><b>4174. No limitation on scope or procedures</b></p> <p>(1) Nothing in this Rule:</p> <p>(i) limits the scope of the audit, or</p> <p>(ii) allows the <i>Dealer Member's</i> auditor to omit any additional audit procedure that it considers necessary under the circumstances.</p>
Rules 16.5, 300.1 and 300.2 (2 <sup>nd</sup> paragraph after{ii})	<p><b>4175. Audit in accordance with Canadian Auditing Standards (CAS)</b></p> <p>(1) The <i>Dealer Member's</i> auditor must audit the <i>Dealer Member</i> in accordance with Canadian Auditing Standards (CAS).</p> <p>(2) Although conducted in accordance with CAS, a <i>Dealer Member's</i> substantive audit procedures must be done as at the audit date because of the nature of the securities industry.</p> <p>(3) A <i>Dealer Member's</i> risk adjusted capital (RAC) and early warning reserve (EWR) must be considered when determining materiality for the <i>Dealer Member's</i> audit.</p>
Rule 300.2 (Paragraph after {ii})	<p><b>4176. Test procedures as at the fiscal year-end date</b></p> <p>(1) The <i>Dealer Member's</i> auditor must conduct the test procedures in sections 4177 through 4185 as at the audit date.</p>
Rule 300.2(a)(ii)	<p><b>4177. Account for all securities, currencies, and other like assets</b></p> <p>(1) The <i>Dealer Member's</i> auditor must account for all securities, currencies and other like assets, including those held in safekeeping or in segregation, on hand, in a vault, or otherwise in the <i>Dealer Member's</i> physical possession.</p> <p>(2) The <i>Dealer Member's</i> auditor must physically examine the assets and compare them with the <i>Dealer Member's</i> books and records. <a href="#">[LINK: Form 1, General Notes and Definitions, Note #10]</a></p> <p>(3) If a <i>Dealer Member</i> has employees who are independent of its employees who handle or record securities, those independent employees may conduct all or part of the count and examination under the observation of the <i>Dealer Member's</i> auditor.</p> <p>(4) The <i>Dealer Member's</i> auditor must test count and compare sufficient securities with the independent employees' counts, if applicable, and with the security position records, to be satisfied that the entire count was substantially correct.</p>

Repealed current rule	Proposed plain language rule
Rules 300.2(a)(ii) and (iii)	<p><b>4178. Verify securities in transfer and in transit</b></p> <p>(1) On a test basis, the <i>Dealer Member's</i> auditor must verify securities in transfer and in transit between the <i>Dealer Member's</i> offices.</p>
Rule 300.2(a)(iv)	<p><b>4179. Review the Dealer Member's position balancing and account reconciliations</b></p> <p>(1) The <i>Dealer Member's</i> auditor must review:</p> <ul style="list-style-type: none"> <li>(i) the <i>Dealer Member's</i> balancing of all security positions and all derivatives; and</li> <li>(ii) the <i>Dealer Member's</i> reconciliation of all broker, dealer, clearing account positions, and non-certificated instrument (NCI) positions the <i>Dealer Member</i> holds (in inventory and for clients) with the counterparty's corresponding statements.</li> </ul> <p>(2) If a position or account is not in balance according to the records (after adjusting to the physical count):</p> <ul style="list-style-type: none"> <li>(i) the <i>Dealer Member's</i> auditor must find out whether the <i>Dealer Member</i> has adequately provided for any potential loss; and</li> <li>(ii) the <i>Dealer Member</i> must make that provision according to the Notes and Instructions for out-of-balance positions in Statement B of <i>Form 1</i>. <a href="#">[LINK Form 1, Statement B, Instructions for Line 20]</a></li> </ul>
Rule 300.2(a)(v)	<p><b>4180. Review bank reconciliations</b></p> <p>(1) The <i>Dealer Member's</i> auditor must:</p> <ul style="list-style-type: none"> <li>(i) obtain bank statements, cancelled cheques, and all other debit and credit memos directly from the <i>Dealer Member's</i> banks which cover a period ending at least 10 business days after the audit date; and</li> <li>(ii) verify the accuracy of the reconciliations between the bank statements and the ledger control accounts, on a test basis, using appropriate audit procedures.</li> </ul>
Rule 300.2(a)(vi)	<p><b>4181. Review custodial agreements and approvals</b></p> <p>(1) The <i>Dealer Member's</i> auditor must:</p> <ul style="list-style-type: none"> <li>(i) ensure that all custodial agreements in the form prescribed by the <i>Corporation</i> <a href="#">[LINK: Guidance Note 4340-2, Appendices 1, 2 and 3]</a>, are in place <a href="#">[LINK: Form 1, General Notes and Definitions, Note #13]</a> for securities lodged with <i>acceptable securities locations</i> <a href="#">[LINK: Form 1, General Notes and Definitions, Definition of "acceptable securities locations"]</a>; and</li> </ul> <p>(2) annually obtain evidence of a <i>Dealer Member's</i> Board of Directors' or authorized Board committee's approval of <i>other foreign securities locations</i> <a href="#">[LINK: Form 1, General Notes and Definitions, Definition of "acceptable securities locations"]</a>. These approvals must be documented in the meeting minutes.</p>
Rule 300.2(a)(vii)(1-9)	<p><b>4182. Obtain written positive confirmations</b></p> <p>(1) The <i>Dealer Member's auditor</i> must obtain written positive confirmation of:</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li>(i) all bank balances and other deposits including hypothecated securities;</li> <li>(ii) all money, security positions, and derivative positions, including with clearing houses, similar organizations, and issuers of non-certificated instruments;</li> <li>(iii) all money and securities loaned or borrowed (including subordinated loans) and details of collateral received or pledged, if any;</li> <li>(iv) a sample of accounts of, or with, brokers or dealers representing regular, joint, and contractual commitment positions including money and security positions and derivative positions; <a href="#">[LINK: Form 1, General Notes and Definitions, Note #11]</a></li> <li>(v) all accounts of directors and officers or partners, including money and security positions and derivative positions;</li> <li>(vi) a sample of client, employee, and shareholder accounts, including money and security positions and derivative positions;</li> <li>(vii) a sample of account guarantee agreements, in cases where a margin reduction has been taken in the accounts for which the guarantee has been provided during the period subject to the audit; <a href="#">[LINK: Form 1, General Notes and Definitions, Note #12]</a>;</li> <li>(viii) a sample of guarantees, in cases where a margin reduction has been taken in the accounts for which the guarantee has been provided as at the audit date; <a href="#">[LINK: Form 1, General Notes and Definitions, Note #12]</a>; and</li> <li>(ix) all other accounts which, in the opinion of the <i>Dealer Member's</i> auditor, should be confirmed.</li> </ul>
Rule 300.2(a)(vii) (last sentence)	<p><b>4183. Review a sample of signed guarantee agreements</b></p> <ul style="list-style-type: none"> <li>(1) The <i>Dealer Member's</i> auditor must review a sample of the <i>Dealer Member's</i> guarantee agreements to ensure they are signed, completed, and comply with the minimum requirements set out in sections 5120 through 5125. <a href="#">[LINK: Rule 5120]</a>.</li> </ul>
Rule 300.2(a)(viii)	<p><b>4184. Tests and procedures on statements and schedules of Form 1</b></p> <ul style="list-style-type: none"> <li>(1) The additional information set out in Part II of <i>Form 1</i> should be subjected to the procedures in the audit of Part I of <i>Form 1</i>, which are in accordance with Canadian Auditing Standards. No procedures are required to be carried out in addition to those necessary to form an opinion on Part I of <i>Form 1</i>.</li> </ul>
Rule 300.2(b)	<p><b>4185. Test statements for a description of securities held in safekeeping</b></p> <ul style="list-style-type: none"> <li>(1) The <i>Dealer Member's</i> auditor must check on a test basis whether the <i>Dealer Member's</i> security position record and client statements accurately describe securities held in safekeeping.</li> </ul>
Rules 16.6 and 300.2(a)(ix)	<p><b>4186. Dealer Member obligations to auditor</b></p> <ul style="list-style-type: none"> <li>(1) A <i>Dealer Member</i> must fully disclose all material facts and issues about its business and operations in a representation letter from the <i>Dealer Member's</i> senior officers to the <i>Dealer Member's</i> auditor.</li> <li>(2) A <i>Dealer Member</i> must provide its auditor with unrestricted access to all of the <i>Dealer Member's</i> books and records and related documents.</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 300.2(a)(vii)(3 <sup>rd</sup> and 4 <sup>th</sup> sentences)	<p>(3) A <i>Dealer Member</i> must not interfere with the audit process, nor conceal, withhold, or destroy any information, document or records reasonably required for the audit.</p> <p><b>4187. Selection of accounts for positive confirmation</b></p> <p>(1) For accounts in clauses 4182(1)(iv), (vi), (vii), and (viii) the <i>Dealer Member's</i> auditor must:</p> <p>(i) select specific accounts for positive confirmation based on:</p> <p>(a) size (all accounts with equity exceeding a certain dollar value, based on the level of materiality); and</p> <p>(b) other characteristics such as accounts in dispute, accounts that are significantly undermargined, nominee accounts, and accounts that would require significant margin during the year or as at year-end without an effective guarantee;</p> <p>and</p> <p>(ii) select a sufficiently representative sample from all other accounts to provide reasonable assurance that any material error will be detected.</p>
Rule 300.2(a)(vii)(5 <sup>th</sup> sentence following {9})	<p><b>4188. Written confirmation of clients' accounts with no balance</b></p> <p>(1) The <i>Dealer Member's</i> auditor must, using positive or negative written confirmation procedures, confirm on a test basis clients' accounts with no balance and those closed since the last fiscal year-end audit date. The <i>Dealer Member's</i> auditor may consider the adequacy of the <i>Dealer Member's</i> internal control system to decide the extent of these procedures.</p>
Rule 300.2(a)(vii)(6 <sup>th</sup> and 7 <sup>th</sup> sentences following {9})	<p><b>4189. Effect on capital if no positive written confirmation received for a guarantee</b></p> <p>(1) If the <i>Dealer Member's</i> auditor does not receive a reply to a positive account guarantee agreement confirmation request made under clause 4182(1)(vii) or (viii), the guarantee agreement must not be accepted for margin reduction purposes for the accounts guaranteed until: <a href="#">[LINK Form 1, General Notes and Definitions, #12, p. 2 – re: guarantees disallowed]</a></p> <p>(i) the <i>Dealer Member's</i> auditor (or the <i>Dealer Member</i>, if after the <i>Form 1</i> filing) receives positive written confirmation of the account guarantee agreement; or</p> <p>(ii) the parties sign a new account guarantee agreement. <a href="#">[LINK Rule 5124(3)]</a></p> <p>(2) If in response to a positive or negative confirmation request, a guarantor disputes the validity or extent of the guarantee, that guarantee must not be accepted for margin reduction purposes until:</p> <p>(i) the dispute is resolved; and</p> <p>(ii) the guarantor provides an acceptable form of confirmation of the account guarantee agreement.</p>
Rules 300.2(c) and 300.3(a)	<p><b>4190. Calculations for Form 1 and other reporting</b></p> <p>(1) The <i>Dealer Member's</i> auditor must perform the procedures identified in the Report on Compliance for Segregation of Securities in <i>Form 1</i> and report on the results as at the fiscal year-end audit date.</p>

Repealed current rule	Proposed plain language rule
Rule 300.5	<p>(2) The <i>Dealer Member's</i> auditor must perform the procedures identified in the Report on Compliance for Insurance in <i>Form 1</i> and report on the results as at the fiscal year-end audit date.</p> <p><b>4191. Auditor's records</b></p> <p>(1) The <i>Dealer Member's</i> auditor must retain a final copy of <i>Form 1</i> and all audit working papers in accordance with section V(5) <a href="#">[LINK Introduction Section V(5)]</a> of the Introduction to the Rulebook.</p> <p>(2) All audit working papers for the two most recent years must be readily accessible.</p> <p>(3) The <i>Dealer Member's</i> auditor must make all working papers available for review by the <i>Corporation</i> and the Canadian Investor Protection Fund (CIPF).</p>
Rule 300.6	<p><b>4192. Reporting a material breach of Corporation requirements</b></p> <p>(1) If during the regular conduct of an audit, the <i>Dealer Member's</i> auditor observes any material breach of the <i>Corporation</i> requirements related to:</p> <p>(i) calculating the <i>Dealer Member's</i> financial position,</p> <p>(ii) handling and custody of securities, or</p> <p>(iii) maintaining adequate records,</p> <p>the <i>Dealer Member's</i> auditor must report that breach to the <i>Corporation</i>.</p> <p><b>4193. - 4199. - Reserved</b></p>
New	<b>Part E - Financial disclosure to clients</b>
New	<b>4200. Introduction</b>
Rule 1400.1 (1 <sup>st</sup> sentence)	<p>(1) If a client so requests, a Dealer Member must disclose its financial condition to the client to enable them to assess the Dealer Member's financial condition. Part E of Rule 4200 sets out the requirements that a Dealer Member must meet in order to present this information to the client in a complete and consistent manner.</p> <p><b>4201. Statement of financial condition available</b></p>
Rule 1400.3	<p>(1) A Dealer Member must provide a statement of its financial condition, when requested, to any client who has traded in his or her account within the past 12 months.</p> <p>(2) The statement of financial condition must be as at the Dealer Member's latest fiscal year-end date and based on its latest annual audited financial statements.</p> <p>(3) A Dealer Member must prepare the statement of financial condition within 75 days of its fiscal year-end.</p> <p><b>4202. Statement of financial condition - contents</b></p>
Rule 1400.3	<p>(1) A Dealer Member's statement of financial condition must contain material information including assets, liabilities and shareholders' or partners' equity.</p>

Repealed current rule	Proposed plain language rule
Rules 1400.1 and 1400.4 (opening paragraph), (a) and (b)	<p><b>4203. Consolidated financial statements - similar named entity</b></p> <p>(1) A Dealer Member must disclose its financial statements separately from those of any affiliate or holding company with a similar name.</p> <p>(2) If a Dealer Member's accounts are included in the consolidated financial statements of its holding company or affiliate with a name similar to the Dealer Member's, and those consolidated financial statements are published or circulated in any <i>document</i>, then either:</p> <p>(i) the consolidated financial statements must include a note indicating that:</p> <p>(a) they relate to an entity that is not the Dealer Member, and</p> <p>(b) although the statements include the Dealer Member's accounts, they are not the Dealer Member's financial statements.</p> <p>or</p> <p>(ii) at the time of publication or circulation, the Dealer Member must send to each client who has traded in his or her account within 12 months of the date of publication:</p> <p>(a) its unconsolidated statement of financial condition, and</p> <p>(b) a letter explaining why the statement is being sent.</p>
Rules 17.1 and 1400.5	<p><b>4204. Dealer Member's auditor's report</b></p> <p>(1) A Dealer Member may publish or circulate a financial statement only if:</p> <p>(i) its auditor's report accompanies the statement; and</p> <p>(ii) the auditor's report states that the financial statement fairly summarizes the Dealer Member's financial position.</p> <p>(2) The Dealer Member's auditor's report that accompanies its financial statement must state that the statement fairly summarizes the Dealer Member's financial position.</p>
1400.2	<p><b>4205. Publishing a statement of financial condition</b></p> <p>(1) If a Dealer Member publishes or circulates a financial statement in any <i>document</i>, it must:</p> <p>(i) be in the same form; and</p> <p>(ii) contain the same information</p> <p>as the statement made available to the Dealer Member's clients.</p>
1400.6	<p><b>4206. List of current executives and directors</b></p> <p>(1) A Dealer Member must provide a current list of its executives and directors, when requested, to any client who has traded in his or her account within the past 12 months.</p>
1400.7	<p><b>4207. Statement of financial condition available to clients</b></p> <p>(1) A Dealer Member must state on each account statement sent to clients, or in</p>

Repealed current rule	Proposed plain language rule
New	<p>another manner the Corporation approves, that:</p> <ul style="list-style-type: none"> <li>(i) its statement of financial condition; and</li> <li>(ii) list of executives and directors</li> </ul> <p>are available on request to any client who has traded in his or her account within the previous 12 months.</p> <p><b>4208. - 4219. - Reserved</b></p>
<p>New</p> <p>New</p> <p>Rule 2600, Statement 1 – General Matters (iv)</p> <p>Rules 17.2(A) and 2600, Statement 1 – General Matters (2<sup>nd</sup> paragraph, 2<sup>nd</sup> sentence) and (v)</p> <p>Rule 2600, Statement 1 – General Matters (iv)(1<sup>st</sup> sentence)</p> <p>Rule 2600, Statement 1 – General Matters [2<sup>nd</sup> paragraph after (iv)(1<sup>st</sup> sentence)]</p> <p>Rule 2600, Statement 1 – General Matters [2<sup>nd</sup> paragraph after (v)(iv)(2<sup>nd</sup> sentence)]</p>	<p><b>Part F – General internal control requirements</b></p> <p><b>4220. Introduction</b></p> <p>(1) Part F of Rule 4200 sets out Corporation requirements for a Dealer Member’s <i>internal controls and risk management infrastructure</i>. Effective internal controls will assist a Dealer Member not only in complying with Corporation requirements and applicable securities law but also in conducting its business with integrity and due regard to the interests of its clients.</p> <p><b>4221. Definitions</b></p> <p>(1) “<i>Detective controls</i>” means controls that discover, or increase the chances of finding, fraud or error, so the Dealer Member can take prompt corrective action. Even knowing that detective controls exist may have a deterrent effect and be preventive in that sense.</p> <p>(2) “<i>Preventive controls</i>” mean controls that prevent, or minimize the chances of, fraud and error.</p> <p><b>4222. Adequate internal controls</b></p> <p>(1) A Dealer Member must establish and maintain appropriate <i>internal controls</i>.</p> <p>(2) A Dealer Member’s management is responsible for ensuring adequate <i>internal controls</i> as part of its overall responsibility for the Dealer Member’s operations.</p> <p>(3) A Dealer Member’s management must use best judgment in determining whether <i>internal controls</i> are adequate.</p> <p><b>4223. Preventive controls</b></p> <p>(1) When necessary, a Dealer Member must implement <i>preventive controls</i> based on management’s view of the risk of loss and the cost-benefit relationship of controlling that risk.</p> <p><b>4224. Written record</b></p> <p>(1) A Dealer Member must maintain a detailed written record of its <i>internal controls</i>, including, at a minimum, the policies and procedures senior management has approved to comply with this Rule and related Corporation internal control requirements.</p> <p><b>4225. Review and written approval of internal controls</b></p> <p>(1) Senior management must review a Dealer Member’s <i>internal controls</i> for adequacy and suitability at least annually and more frequently as necessary or stipulated by Corporation <i>requirements</i>. Senior management must approve a Dealer Member’s <i>internal controls</i> in writing after each review.</p>

Repealed current rule	Proposed plain language rule
New	<b>4226. - 4239. - Reserved</b>
<p>New</p> <p>New</p> <p>Rule 2600, Statement 7 – Control objectives (c) and (d) and minimum required firm policies and procedures (2), (3), (7) and (8)</p> <p>Rule 2600, Statement 7 – Control objectives (a) and minimum required firm policies and procedures (1) and (5)(2<sup>nd</sup> sentence)</p> <p>Rule 2600, Statement 7 – Minimum required firm policies and procedures (6)</p>	<p><b>Part G - Pricing internal control requirements</b></p> <p><b>4240. Introduction</b></p> <p>(1) Part G of Rule 4200 sets internal control requirements to so that a Dealer Member can ensure that securities are valued using prices from objective and verifiable sources, and independent management oversight exists to ensure reasonability of prices used.</p> <p><b>4241. Pricing procedures</b></p> <p>(1) A Dealer Member must consistently and accurately price all securities. In Part G of Rule 4200, references to securities include client and inventory securities, securities used in financing transactions such as such as security borrow and lend, repurchase and reverse repurchase transactions.</p> <p>(2) On a daily basis, a Dealer Member must consistently and accurately mark to market its “owned” and “sold short” security positions to ensure accurate profit and loss reporting in accordance with Corporation rules.</p> <p>(3) A Dealer Member must develop, document, and follow policies and procedures in consistently pricing and verifying prices of securities.</p> <p>(4) A Dealer Member’s policies and procedures must ensure appropriate pricing in security records that it uses to prepare management reports for monitoring:</p> <ul style="list-style-type: none"> <li>(i) securities-inventory profit and loss;</li> <li>(ii) its regulatory capital position; and</li> <li>(iii) security segregation.</li> </ul> <p>(5) A Dealer Member must assign knowledgeable personnel, who are independent of its trading functions, to prepare the reports in subsection (4), and must supervise the reports’ preparation. Conflicted personnel must not be involved in security pricing or, failing that, the Dealer Member must adopt compensating procedures to ensure appropriate pricing.</p> <p><b>4242. Independent price verification and adjustment</b></p> <p>(1) A Dealer Member must independently verify its security prices at each month-end by comparing them with alternative third-party pricing sources.</p> <p>(2) The verification work must detect and quantify all pricing differences (distinguishing adjusted and unadjusted differences).</p> <p>(3) Senior management must:</p> <ul style="list-style-type: none"> <li>(i) On a monthly basis, approve the resolution of all material differences; and</li> <li>(ii) On an annual basis, review and verify the continued appropriateness of the existing pricing sources. Where appropriateness is identified as a material concern, the pricing sources used must be changed.</li> </ul> <p><b>4243. Retention of supporting documents</b></p> <p>(1) A Dealer Member must retain supporting documents to show that it has verified securities pricing and made appropriate adjustments.</p>

Repealed current rule	Proposed plain language rule
Rule 2600, Statement 7 – Minimum required firm policies and procedures (4) New	<b>4244. Access to records</b> (1) Dealer Member personnel involved in securities trading must not have access to back-office security-price records. <b>4245. - 4259. - Reserved</b>
New New Rule 1100.1 (1 <sup>st</sup> paragraph) Rule 1100.1(a) Rule 1100.1(b) Rule 1100.1(c) Rule 1100.1(d) Rule 1100.2	<b>Part H - Calculation of prices on a yield basis</b> <b>4260. Introduction</b> (1) Part H of Rule 4200 describes how to calculate a security price based on a security's current market yield. <b>4261. Calculating price if no method is stated for calculating unexpired term</b> (1) When a Dealer Member quotes a bid or offer based on yield, and neither the buyer nor seller Dealer Member states a price or a method for calculating the unexpired term, the price must be established according to sections 4262 through 4266. <b>4262. Bonds with unexpired terms to maturity up to and including ten years</b> (1) For a bond with an unexpired term to maturity up to and including 10 years, calculate the unexpired term as the exact period in years, months, and days: (i) from the regular delivery date to the maturity date of a non-callable bond or callable bond selling at less than the call price, and (ii) to the first redemption date of a callable bond selling at, or at a premium over, the call price. (2) In calculating the price for the term, one day is 1/30 <sup>th</sup> of one month. <b>4263. Bonds with unexpired terms to maturity over ten years</b> (1) For a bond with an unexpired term to maturity of over 10 years, calculate the unexpired term as the period in years and months: (i) from the month in which the regular delivery date occurs to the month and year of maturity of a non-callable bond or callable bond selling at less than the call price; and (ii) to the first month and year that the bond is redeemable for a callable bond selling at, or at a premium over, the call price. <b>4264. Price precision</b> (1) For all bond transactions between Dealer Members and their clients where the price has been determined using the calculation approach set out in either section 4262 or 4263, the price must be extended to three decimal places of precision. <b>4265. New Issues</b> (1) Part H of Rule 4200 applies to new issues, and the unexpired term starts on the date up to which accrued interest is charged to the client. <b>4266. Exceptions</b> (1) Sections 4262 through 4265 do not apply to trades in:

Repealed current rule	Proposed plain language rule
New	<ul style="list-style-type: none"> <li>(i) Government of Canada bonds and guaranteed bonds;</li> <li>(ii) Short-term securities that have:                             <ul style="list-style-type: none"> <li>(a) an unexpired term to maturity of six months or less;</li> <li>(b) an unexpired term-to-call date of six months or less and selling at, or at a premium over, the call price; or</li> <li>(c) been called for redemption;</li> </ul> </li> <li>(iii) securities callable on future dates at varying prices; and</li> <li>(iv) securities callable at the issuer's option if the call date is not stated and the securities are selling at a premium over call price.</li> </ul> <p><b>4267. - 4299. - Reserved</b></p>

Repealed current rule	Proposed plain language rule
New	<p style="text-align: center;"><b>Rules 4300 and 4400 – Protection of Client Assets</b></p> <p><b>4301. Introduction</b></p> <p>(1) Rules 4300 and 4400 set out the following Dealer Member requirements relating to the protection of client assets:</p> <ul style="list-style-type: none"> <li>(i) Segregation and related internal control requirements including: <ul style="list-style-type: none"> <li>(a) General segregation requirements <i>[Part A.1, Sections 4310 through 4314];</i></li> <li>(b) Bulk segregation calculation <i>[Part A.2, Sections 4315 through 4319];</i></li> <li>(c) Security usage restrictions and correcting segregation deficiencies <i>[Part A.3, Sections 4320 through 4326];</i> and</li> <li>(d) Minimum segregation policies and procedures <i>[Part A.4, Sections 4327 through 4331].</i></li> </ul> </li> <li>(ii) Custody and related internal control requirements including: <ul style="list-style-type: none"> <li>(a) General custody requirements <i>[Part B.1, Sections 4340 through 4342];</i></li> <li>(b) Acceptable securities locations <i>[Part B.2, Sections 4343 through 4351];</i></li> <li>(c) Written custodial agreement requirement <i>[Part B.3, Sections 4352 and 4353];</i></li> <li>(d) Confirmation and reconciliation requirements <i>[Part B.4, Sections 4354 through 4360];</i> and</li> <li>(e) Margin requirements <i>[Part B.5, Sections 4361 through 4367].</i></li> </ul> </li> <li>(iii) Client free credit balance requirements <i>[Part C, Sections 4380 through 4386];</i></li> <li>(iv) Safekeeping requirements <i>[Part D, Sections 4400 through 4405];</i></li> <li>(v) Internal controls requirements for safeguarding cash and securities <i>[Part E, Sections 4420 through 4433];</i> and</li> <li>(vi) Insurance requirements <i>[Part F, Sections 4450 through 4465].</i></li> </ul>
New	<b>4302. - 4309. - Reserved</b>
New	<b>Part A - Segregation and related internal control requirements</b>
New	<b>Part A.1 - General segregation requirements</b>
New	<b>4310. Introduction</b>

Repealed current rule	Proposed plain language rule
Rules 2000.4(b) and (c)	<p>(1) A <i>Dealer Member</i> is required to segregate client fully paid and excess margin securities. Any segregation deficiencies must be resolved promptly, as provided in Part A.1 of Rule 4300, and, if material, reported to senior management.</p> <p><b>4311. Definitions</b></p> <p>(1) In Part A of Rule 4300:</p> <p>(i) “<i>net loan value of a security</i>” means, for:</p> <p>(a) a long position, the market value of the security less any margin required;</p> <p>(b) a short position, the market value of the security plus any margin required expressed as a negative number; and</p> <p>(c) a short security option position, any margin required as a negative number.</p> <p>(ii) “<i>qualifying hedge position</i>” means, for all the accounts of each client:</p> <p>(a) a long position in a security; and</p> <p>(b) a short position in a security issued or guaranteed by the same issuer of the security in (a);</p> <p>where:</p> <p>(c) the long position is convertible to or exchangeable for securities of the same class and number of the securities held in the short position; and</p> <p>(d) the <i>Dealer Member</i> is using the long position as collateral to cover the short position.</p>
Rules 17.3, 17.3B and 2600, Statement 4 – Control Objective (b)	<p><b>4312. Fully paid and excess margin securities</b></p> <p>(1) A <i>Dealer Member</i> holding fully paid or excess margin securities for a client must:</p> <p>(i) segregate those securities; and</p> <p>(ii) identify those securities as being held in trust for that client.</p> <p>(2) A <i>Dealer Member</i> must not use securities held in segregation for its own purposes except with the express written approval of its client under the terms of a cash and securities loan agreement as detailed in Part B of Rule 4600.</p> <p>(3) The <i>Corporation</i> may prescribe how <i>segregated securities</i> are held, and how the amount or value of securities to be segregated must be calculated.</p>
Rule 2000.3	<p><b>4313. Restricted and non-negotiable securities</b></p> <p>(1) Securities that are restricted, non-negotiable, or that cannot be made fully negotiable solely by signature or guarantee of the <i>Dealer Member</i> are deemed not to be segregated, unless such securities are registered in the name of the client (or name of a person required by the client) on whose behalf they are being held in an <i>acceptable segregation location</i>.</p>

Repealed current rule	Proposed plain language rule
Rule 17.3A	<p><b>4314. Segregation of client securities</b></p> <p>(1) A <i>Dealer Member</i> holding <i>segregated securities</i> must:</p> <p>(i) segregate those securities in bulk in accordance with sections 4315 through 4319; or</p> <p>(ii) segregate specific securities for each client.</p> <p>(2) A <i>Dealer Member</i> must not segregate in bulk client securities that are subject to a written safekeeping agreement.</p>
New	<p><b>Part A.2 - Bulk segregation calculation</b></p>
New	<p><b>4315. Steps for bulk segregation calculation</b></p> <p>(1) A <i>Dealer Member</i> that segregates securities in bulk must, in accordance with sections 4316 through 4319:</p> <p>(i) determine the <i>net loan value</i> and <i>market value</i> of securities held in a client's account;</p> <p>(ii) calculate the number of <i>segregated securities</i> to be segregated in bulk;</p> <p>(iii) determine the securities to use to satisfy segregation requirements; and</p> <p>(iv) perform regular calculations and compliance reviews.</p>
Rule 2000.4(a)	<p><b>4316. Net loan value and market value of securities in a client's account</b></p> <p>(1) A <i>Dealer Member</i> holding <i>segregated securities</i> in bulk segregation must determine for all securities held for all accounts of each client:</p> <p>(i) the number of securities that are part of a <i>qualifying hedge</i> position;</p> <p>(ii) the <i>net loan value</i> of securities (excluding securities that are part of a <i>qualifying hedge position</i>) less the aggregate debit cash balance in accounts (or plus in the case of a credit); and</p> <p>(iii) the market value of securities (excluding securities that are part of a <i>qualifying hedge</i> position) not eligible for margin less the aggregate amount, if any, by which those accounts are under-margined as calculated in clause (ii). [<a href="#">LINK - Form 1, General Notes and Definitions, (f) "market value".</a>]</p> <p>(2) A <i>Dealer Member</i> must segregate the <i>net loan value</i> of securities calculated in clause 4316(1)(ii) and the <i>market value</i> of securities calculated in clause 4316(1)(iii) for each client account.</p> <p>(3) A <i>Dealer Member</i> is not required to segregate an amount of securities greater than the market value of the securities held for those accounts.</p>
Rule 2000.5, 1 <sup>st</sup> sentence and (a) and (b)	<p><b>4317. Calculating the number of client securities to be segregated in bulk</b></p> <p>(1) A <i>Dealer Member</i> that chooses to satisfy its segregation obligations under section 4312 by segregating in bulk must segregate in bulk for all its clients the number of securities calculated as follows:</p> <p>(i) Equities</p>

Repealed current rule	Proposed plain language rule						
	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Number of securities required to be segregated</td> <td style="padding: 5px;">=</td> <td style="padding: 5px;">aggregate loan value + <i>market value</i> of a class or series of security required to be segregated for each client in section 4316 ÷ loan or market value of one unit of the security</td> </tr> </table> <p style="margin-left: 40px;">(ii) Debt securities</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Principal amount of securities required to be segregated</td> <td style="padding: 5px;">=</td> <td style="padding: 5px;">aggregate loan value + <i>market value</i> of a class or series of security required to be segregated for each client in section 4316 ÷ loan or market value of each \$100 principal amount of the security x 100, rounded to lowest issuable denomination</td> </tr> </table>	Number of securities required to be segregated	=	aggregate loan value + <i>market value</i> of a class or series of security required to be segregated for each client in section 4316 ÷ loan or market value of one unit of the security	Principal amount of securities required to be segregated	=	aggregate loan value + <i>market value</i> of a class or series of security required to be segregated for each client in section 4316 ÷ loan or market value of each \$100 principal amount of the security x 100, rounded to lowest issuable denomination
Number of securities required to be segregated	=	aggregate loan value + <i>market value</i> of a class or series of security required to be segregated for each client in section 4316 ÷ loan or market value of one unit of the security					
Principal amount of securities required to be segregated	=	aggregate loan value + <i>market value</i> of a class or series of security required to be segregated for each client in section 4316 ÷ loan or market value of each \$100 principal amount of the security x 100, rounded to lowest issuable denomination					
<p>Rule 2000.5, paragraphs after (b)</p>	<p><b>4318. Determining securities to satisfy segregation requirements</b></p> <p>(1) A <i>Dealer Member</i> may choose any securities from a client’s accounts to satisfy the segregation requirements for that client’s positions, subject to the restrictions of any applicable securities legislation including, without limitation, a requirement that fully-paid securities in a cash account be segregated before unpaid securities.</p> <p>(2) A <i>Dealer Member</i> that sells securities required to be segregated for a client must keep them segregated until one business day prior to settlement or value date.</p> <p>(3) Securities required to be segregated for a client must not be removed from segregation as a result of the purchase of any securities by that client until settlement or value date.</p>						
<p>Rules 2000.6 and 2000.7</p>	<p><b>4319. Frequency and review of bulk segregation calculation</b></p> <p>(1) At least twice weekly, a <i>Dealer Member</i> must determine the securities required to be segregated according to the calculations in this section.</p> <p>(2) A <i>Dealer Member</i> must conduct a daily review of securities segregated for clients to identify any deficiencies that exist between the actual amounts segregated and the amounts, determined in accordance with 4319(1), required to be segregated. Where a deficiency exists, the <i>Dealer Member</i> must correct it in accordance with the requirements of sections 4320 through 4326.</p>						
<p>New</p> <p>Rules 2000.8(a) and (b)</p>	<p><b>Part A.3 - Security usage restrictions and correcting segregation deficiencies</b></p> <p><b>4320. General restrictions</b></p> <p>(1) A <i>Dealer Member</i> must:</p> <p style="margin-left: 40px;">(i) ensure that a segregation deficiency is not knowingly created or increased;</p> <p style="margin-left: 40px;">(ii) not deliver securities it holds against payment for the account of any client if those securities are required to satisfy the <i>Dealer Member’s</i> segregation requirements.</p>						
<p>Rules 2000.9, 1<sup>st</sup> paragraph and 2600, Statement 4 – Minimum required firm policies and procedures (6) and (8)</p>	<p><b>4321. Correcting segregation deficiencies</b></p> <p>(1) If any segregation deficiency exists, or if a <i>Dealer Member</i> identifies any segregation deficiency in a supervisory review, the <i>Dealer Member</i> must promptly take the most appropriate action necessary to correct the deficiency.</p> <p>(2) Common deficiencies and appropriate remedial actions include, but are not limited to, those in sections 4322 through 4326.</p>						

Repealed current rule	Proposed plain language rule
Rule 2000.9, 2 <sup>nd</sup> paragraph	<p><b>4322. Call loan segregation deficiency</b></p> <p>(1) A <i>Dealer Member</i> that determines it has a call loan segregation deficiency must recall the securities within the business day following the day it determines the deficiency exists.</p>
Rule 2000.9, 3 <sup>rd</sup> paragraph	<p><b>4323. Securities loan segregation deficiency</b></p> <p>(1) A <i>Dealer Member</i> that determines it has a securities loan segregation deficiency must:</p> <p>(i) recall the securities from the borrower within the business day following the day it determines the deficiency exists; or</p> <p>(ii) borrow the same issue of securities to cover the deficiency.</p> <p>(2) If the <i>Dealer Member</i> has not received the securities within five business days following the date it determines the deficiency, it must undertake to buy-in the borrower.</p>
Rule 2000.9, 4 <sup>th</sup> paragraph	<p><b>4324. Inventory or trading account short position segregation deficiency</b></p> <p>(1) A <i>Dealer Member</i> that determines it has an inventory or trading account short position segregation deficiency must:</p> <p>(i) borrow the same issue of securities to cover the deficiency within the business day following the day it determines the deficiency exists; or</p> <p>(ii) undertake to purchase the same issue of securities immediately.</p>
Rule 2000.9, 5 <sup>th</sup> paragraph	<p><b>4325. Client declared short sales segregation deficiency</b></p> <p>(1) A <i>Dealer Member</i> that determines it has a client declared short sale segregation deficiency must:</p> <p>(i) borrow the same issue of securities to cover the deficiency within the business day following; or</p> <p>(ii) undertake to buy-in the same issue of securities within five business days of, the day it determines the deficiency exists.</p>
Rule 2000.9, 6 <sup>th</sup> paragraph	<p><b>4326. Fails – client or other Dealer Member</b></p> <p>(1) If a <i>Dealer Member</i> has failed to receive securities within 15 business days of settlement date from a client or another <i>Dealer Member</i>, the <i>Dealer Member</i> must:</p> <p>(i) borrow the same issue of securities to cover the deficiency; or</p> <p>(ii) undertake to buy-in the securities.</p>
New	<p><b>Part A.4 - Minimum segregation policies and procedures</b></p>
New	<p><b>4327. General</b></p> <p>(1) A <i>Dealer Member</i> must, at a minimum, comply with the policies and procedures for <i>segregated securities</i> in sections 4328 through 4331 and the supervision requirements in Rule 3900, Dealer Member's Supervisory Obligations.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 1.1, "Segregated Securities"</p> <p>Rule 2600, Statement 4 – Minimum required firm policies and procedures (1)</p> <p>Rule 2600, Statement 4 – Minimum required firm policies and procedures (9)</p> <p>Rule 2600, Statement 4 – Minimum required firm policies and procedures (4)</p> <p>New</p>	<p><b>4328. Records of <i>segregated securities</i></b></p> <p>(1) <i>Segregated securities</i> must be described as being held in segregation on a <i>Dealer Member's</i> security position record (or related records) and client ledger and statement of account. This description must be in substance a fair representation of how the securities are being held in segregation at the custodian and therefore, the security box locations of the <i>Dealer Member</i> must have a direct mapping (or relationship) to custody accounts set up at the custodian on behalf of the <i>Dealer Member</i>.</p> <p><b>4329. Twice-weekly report of items requiring segregation</b></p> <p>(1) A <i>Dealer Member</i> must produce a segregation report at least twice weekly.</p> <p><b>4330. Reporting segregation deficiency</b></p> <p>(1) A <i>Dealer Member</i> must set reasonable guidelines so that any material segregation deficiency is reported promptly to senior management.</p> <p><b>4331. Authorized personnel move securities</b></p> <p>(1) A <i>Dealer Member</i> must limit who can move <i>segregated securities</i> into or out of segregation to only authorized personnel.</p> <p><b>4332. - 4339. - Reserved</b></p>
<p>New</p> <p>New</p> <p>New</p> <p>Rules 2000.1 and 2000.2</p> <p>Rules 2000.2, 1<sup>st</sup> sentence and 2600, Statement 4 – Minimum required firm policies and procedures (2)</p> <p>New</p>	<p><b>Part B - Custody and related internal control requirements</b></p> <p><b>Part B.1 - General custody requirements</b></p> <p><b>4340. Introduction</b></p> <p>(1) A <i>Dealer Member</i> takes on certain operational risks when it has custody of securities. These risks arise in connection with the location where and by whom the securities are held and whether a <i>Dealer Member</i> has adequate internal controls to deal with these risks. Part B of Rule 4300 prescribes requirements for managing the risks related to securities custody. As these risks are quantifiable, they are treated as margin charges when calculating <i>Dealer Member risk adjusted capital</i>. This Part B of Rule 4300, in conjunction with <i>Form 1</i>, prescribes these charges.</p> <p><b>4341. Hold securities in an <i>acceptable securities location</i></b></p> <p>(1) A <i>Dealer Member</i> must hold securities, including book-based securities, in an <i>acceptable securities location</i> as prescribed in this Rule and Form 1 [<a href="#">LINK Form 1, definition "acceptable securities locations"</a>]. <i>Acceptable securities locations</i> can either be acceptable internal securities locations, which include acceptable transfer locations; or acceptable external securities locations, which in Form 1 are simply referred to as "<i>acceptable securities locations</i>".</p> <p><b>4342. Timely deposit</b></p> <p>(1) A <i>Dealer Member</i> must deposit securities requiring segregation in an <i>acceptable securities location</i> on a timely basis.</p> <p><b>Part B.2 - Acceptable securities locations</b></p>

Repealed current rule	Proposed plain language rule
Rule 2000.2, 1 <sup>st</sup> sentence	<p><b>4343. Acceptable internal storage location</b></p> <p>(1) Securities in a Dealer Member's physical possession must be held in an internal storage location that meets the requirements in section 4344, in order for the internal storage location to be an acceptable internal securities location.</p>
Rule 2000.2(a)	<p><b>4344. Acceptable Internal storage location requirements</b></p> <p>(1) A Dealer Member's internal storage location must:</p> <p>(i) be subject to ongoing adequate internal controls and systems for safeguarding securities; and</p> <p>(ii) hold all unencumbered security positions in the physical possession of the Dealer Member.</p>
Rule 2000.2(b)	<p><b>4345. Acceptable transfer locations</b></p> <p>(1) Securities in transfer must be in the possession of a registered or recognized transfer agent and a Dealer Member must comply with the applicable confirmation requirements in sections 4355 through 4359, in order for the transfer location to be an acceptable transfer location.</p>
Rule 2000.1, 1 <sup>st</sup> paragraph	<p><b>4346. Securities not under a Dealer Member's control or physical possession</b></p> <p>(1) Securities not under a Dealer Member's control or physical possession must be held in an <i>acceptable external securities location</i> or the Dealer Member must comply with the client waiver requirements in section 4351.</p>
Form 1, General Notes and Definitions, (d) "acceptable securities locations"	<p><b>4347. Entities that may be <i>acceptable external securities locations</i></b></p> <p>(1) Entities that may be <i>acceptable external securities locations</i> must comply with the <i>Corporation's requirements</i> prescribed in this Rule and in <i>Form 1</i> [<a href="#">LINK: Form 1, General Notes and Definitions, definition of "acceptable securities locations"</a>]. In <i>Form 1</i>, the entities that may qualify as "<i>acceptable securities locations</i>" are grouped into 7 categories: depositories and clearing agencies, acceptable institutions and subsidiaries of acceptable institutions, acceptable counterparties, banks and trust companies, mutual funds or their agents, regulated entities, and foreign institutions and foreign securities dealers.</p>
Form 1, General Notes and Definitions, (d) "acceptable securities locations"	<p><b>4348. Approval of foreign institutions and foreign securities dealers</b></p> <p>(1) To obtain the Corporation's approval of a foreign institution or foreign securities dealer as an acceptable securities location, a Dealer Member must:</p> <p>(i) perform due diligence;</p> <p>(ii) approve the foreign institution or securities dealer as an <i>acceptable external securities location</i>; and</p> <p>(iii) complete a certificate in the form prescribed in Guidance Note 4340-1 [<a href="#">LINK: Guidance Note 4340-1, Appendix 1</a>] evidencing its due diligence and approval.</p>
Form 1, General Notes and Definitions, (d) "acceptable securities locations"	<p><b>4349. Application to the Corporation for approval of foreign institutions and foreign securities dealers</b></p> <p>(1) A Dealer Member must apply in writing to the Corporation for review and approval of a foreign institution or foreign securities dealer as an acceptable securities location.</p>

Repealed current rule	Proposed plain language rule									
Form 1, General Notes and Definitions, (d) “acceptable securities locations”	(2) The application to the Corporation must include the following: <table border="1" style="margin-left: 20px; width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Document</th> <th style="width: 33%;">Contents</th> <th style="width: 34%;">Form (if Corporation-prescribed)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">1. Foreign custodian questionnaire and certificate of Dealer Member board approval</td> <td style="padding: 5px;">1. Due diligence questionnaire 2. Certificate of Dealer Member board approving foreign custodian as location for holding securities</td> <td style="padding: 5px; vertical-align: top;">Guidance Note 4340-1, Appendix 1 <a href="#">[LINK: Guidance Note 4340-1, Appendix 1]</a></td> </tr> <tr> <td style="padding: 5px;">2. Latest audited financial statements of proposed foreign custodian</td> <td style="padding: 5px;">Must evidence minimum net worth of C\$150 million</td> <td></td> </tr> </tbody> </table>	Document	Contents	Form (if Corporation-prescribed)	1. Foreign custodian questionnaire and certificate of Dealer Member board approval	1. Due diligence questionnaire 2. Certificate of Dealer Member board approving foreign custodian as location for holding securities	Guidance Note 4340-1, Appendix 1 <a href="#">[LINK: Guidance Note 4340-1, Appendix 1]</a>	2. Latest audited financial statements of proposed foreign custodian	Must evidence minimum net worth of C\$150 million	
	Document	Contents	Form (if Corporation-prescribed)							
	1. Foreign custodian questionnaire and certificate of Dealer Member board approval	1. Due diligence questionnaire 2. Certificate of Dealer Member board approving foreign custodian as location for holding securities	Guidance Note 4340-1, Appendix 1 <a href="#">[LINK: Guidance Note 4340-1, Appendix 1]</a>							
	2. Latest audited financial statements of proposed foreign custodian	Must evidence minimum net worth of C\$150 million								
<b>4350. Annual approval of foreign institutions and foreign securities dealers as acceptable securities locations</b>										
(1) A Dealer Member’s board of directors or appropriate committee must annually approve in writing a foreign institution or foreign securities dealer for it to continue to be an acceptable securities location.										
(2) The annual approval must be given as follows: <table border="1" style="margin-left: 20px; width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Document</th> <th style="width: 33%;">Contents</th> <th style="width: 34%;">Notes</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Dealer Member’s annual approval of foreign custodian</td> <td style="padding: 5px;">                             Dealer Member board’s or appropriate committee’s annual written approval of foreign custodian as foreign location for holding securities  <i>Evidence that the Dealer Member Board had reviewed the most recently available audited financial statements and verified that the foreign custodian continued to meet the \$150 million capital requirement</i> </td> <td style="padding: 5px; vertical-align: top;">                             Approval must be documented in minutes of a meeting.                              Approval must be available for review by examiners during a field examination of the Dealer Member                         </td> </tr> </tbody> </table>	Document	Contents	Notes	Dealer Member’s annual approval of foreign custodian	Dealer Member board’s or appropriate committee’s annual written approval of foreign custodian as foreign location for holding securities <i>Evidence that the Dealer Member Board had reviewed the most recently available audited financial statements and verified that the foreign custodian continued to meet the \$150 million capital requirement</i>	Approval must be documented in minutes of a meeting. Approval must be available for review by examiners during a field examination of the Dealer Member				
Document	Contents	Notes								
Dealer Member’s annual approval of foreign custodian	Dealer Member board’s or appropriate committee’s annual written approval of foreign custodian as foreign location for holding securities <i>Evidence that the Dealer Member Board had reviewed the most recently available audited financial statements and verified that the foreign custodian continued to meet the \$150 million capital requirement</i>	Approval must be documented in minutes of a meeting. Approval must be available for review by examiners during a field examination of the Dealer Member								
(3) Without this written approval, the location is a non-acceptable securities location.										

Repealed current rule	Proposed plain language rule
Form 1, Statement B, Notes and Instructions, Note to Line 18	<p><b>4351. Obtaining a client waiver when an <i>acceptable external securities location</i> is unavailable</b></p> <p>(1) If a Dealer Member holds client securities in a foreign jurisdiction where:</p> <ul style="list-style-type: none"> <li>(i) laws and circumstances may restrict the transfer of securities from that jurisdiction; and</li> <li>(ii) the Dealer Member cannot arrange to hold the client's securities in the jurisdiction at an <i>acceptable external securities location</i>,</li> </ul> <p>the Dealer Member must obtain a waiver from the client <a href="#">[LINK: Guidance Note 4340-1]</a>.</p> <p>(2) The client's waiver in approved form must be obtained for each transaction <a href="#">[LINK: Guidance Note 4340-1, Appendix 2]</a>.</p> <p>(3) In the waiver, the client must:</p> <ul style="list-style-type: none"> <li>(i) consent to the arrangement;</li> <li>(ii) acknowledge the risks associated with holding securities at the specified foreign custodian on behalf of the Dealer Member in the specified country; and</li> <li>(iii) waive any claims it may have against the Dealer Member and hold the Dealer Member harmless if the foreign custodian loses the securities.</li> </ul> <p>(4) On obtaining the waiver, a Dealer Member may hold those client securities at a custodian in the foreign jurisdiction if the Dealer Member has a written custodial agreement with the custodian.</p>
New Rule 2000.1, 1 <sup>st</sup> sentence and (a), (b) and (c) and Rule 2600, Statement 4 – Minimum required firm policies and procedures (3)	<p><b>Part B.3 - Written custodial agreement requirement</b></p> <p><b>4352. Agreement with each <i>acceptable external securities location</i></b></p> <p>(1) A Dealer Member and each <i>acceptable external securities location</i> holding securities for the Dealer Member must have a written custodial agreement <a href="#">[LINK: Guidance Note 4340-2, Appendices 1 and 2]</a> that states that:</p> <ul style="list-style-type: none"> <li>(i) the Dealer Member must give prior written consent to any use or disposal of the securities;</li> <li>(ii) security certificates can be delivered promptly on demand or, if certificates are not available and the securities are book-based, must be transferable either from the location or to another person at the location promptly on demand;</li> <li>(iii) the securities are held in segregation for the Dealer Member or its clients free and clear of any charge, lien, claim or encumbrance in favour of the custodian; and</li> <li>(iv) the custodian indemnifies and saves the Dealer Member harmless against and from any and all Dealer Member losses due to the custodian's failure to return any securities or property it holds to the Dealer Member. However, the custodian's liability is limited to the market value of the securities and property at the time it was required to deliver them to the Dealer Member.</li> </ul> <p>(2) This written custodial agreement is a condition of the custodian qualifying as an <i>acceptable external securities location</i>.</p>

Repealed current rule	Proposed plain language rule
New	<p><b>4353. Bare trustee custodial agreement</b></p> <p>(1) For book-based security holdings, a Dealer Member is in compliance with section 4352 if the Corporation, as bare trustee for Dealer Members, has an approved form of custodial agreement with the custodian <a href="#">[LINK: Guidance Note 4340-2, Appendix 3]</a>.</p>
New Rule 2000.2(a)	<p><b>Part B.4 - Confirmation and reconciliation requirements</b></p> <p><b>4354. Securities in transit</b></p> <p>(1) If securities are in transit between internal storage locations:</p> <p>(i) for which there are no adequate internal controls maintained; or</p> <p>(ii) for more than five business days,</p> <p>those securities are not considered to be under the Dealer Member's control or physical possession for purposes of good <i>segregation</i>.</p>
Rule 300.2(a)(vii)(2)	<p><b>4355. Confirmations from <i>external securities locations</i></b></p> <p>(1) A Dealer Member must receive a positive confirmation of all securities positions annually at its audit date from each <i>external securities location</i>.</p> <p>(2) If a Dealer Member does not receive a positive annual audit confirmation of a securities position from an <i>external securities location</i>, then the Dealer Member must transfer the position to its difference account.</p>
Rule 2000.2(b), 2 <sup>nd</sup> paragraph	<p><b>4356. Confirmations from <i>transfer locations in Canada</i></b></p> <p>(1) If a Dealer Member has delivered securities for re-registration to a <i>transfer location</i> in Canada, the Dealer Member must receive those securities within 20 business days of delivery.</p> <p>(2) If a Dealer Member has not received those securities within 20 business days of delivery, it must obtain written confirmation of the position receivable from the <i>transfer location</i> within 45 business days of delivery.</p> <p>(3) If the position remains unconfirmed after 45 business days from delivery, the <i>transfer location</i> is a non-acceptable <i>transfer location</i> for that position, and the Dealer Member must transfer the position to its difference account.</p>
Rule 2000.2(b), 1 <sup>st</sup> sentence of 3 <sup>rd</sup> paragraph	<p><b>4357. Confirmations from <i>transfer locations in the United States</i></b></p> <p>(1) If a Dealer Member has delivered securities for re-registration to a <i>transfer location</i> in the United States, the Dealer Member must receive those securities within 45 business days of delivery.</p> <p>(2) If a Dealer Member has not received those securities within 45 business days of delivery, it must obtain written confirmation of the position receivable from the <i>transfer location</i> within 70 business days of delivery.</p> <p>(3) If the position remains unconfirmed after 70 business days from delivery, the <i>transfer location</i> is a non-acceptable <i>transfer location</i> for that position, and the Dealer Member must transfer the position to its difference account.</p>

Repealed current rule	Proposed plain language rule
Rule 2000.2(b), 2 <sup>nd</sup> sentence of 3 <sup>rd</sup> paragraph	<p><b>4358. Confirmations from <i>transfer locations</i> outside Canada and the United States</b></p> <p>(1) If a Dealer Member has delivered securities for re-registration to a <i>transfer location</i> outside Canada and the United States, the Dealer Member must receive those securities within 70 business days of delivery.</p> <p>(2) If a Dealer Member has not received those securities within 70 business days of delivery, it must obtain written confirmation of the position receivable from the <i>transfer location</i> within 100 business days of delivery.</p> <p>(3) If the position remains unconfirmed after 100 business days from delivery, the <i>transfer location</i> is a non-acceptable <i>transfer location</i> for that position, and the Dealer Member must transfer the position to its difference account.</p>
Rule 2000.9, 7 <sup>th</sup> paragraph	<p><b>4359. Confirmations of stock dividends receivable and stock splits</b></p> <p>(1) If a Dealer Member has not received the securities from a declared stock dividend or stock split within 45 business days of the date receivable, the Dealer Member must obtain written confirmation of the position receivable.</p> <p>(2) If the position remains unconfirmed after 45 business days, the Dealer Member must transfer the position to its difference account.</p>
New	<p><b>4360. Reconcile books and records for mutual funds and deposit investment contracts</b></p> <p>(1) A Dealer Member must, at least monthly, reconcile its books and records of securities consisting of mutual funds and evidences of deposit with records provided by the issuing mutual fund or financial institution. <a href="#">[LINK GN 4340-2]</a></p>
New	<p><b>Part B.5 - Margin requirements <a href="#">[LINK GN 4340-2]</a></b></p>
Form 1, Statement B, Notes and Instructions, Notes to Lines 18 and 20	<p><b>4361. Acceptable securities location</b></p> <p>(1) For securities a Dealer Member holds at an <i>acceptable securities location</i>, custodial related margin requirements will only apply to unresolved differences. <a href="#">[LINK Form 1, Statement B, Notes and Instructions, Line 20]</a></p>
Form 1, Statement B, Notes and Instructions, Notes to Lines 18 and 20	<p><b>4362. Margin charges – non-acceptable securities location</b></p> <p>(1) For securities a Dealer Member holds at a non-acceptable securities location, additional margin requirements prescribed in this Part B.5 must be provided unless a client waiver is obtained that complies with the requirements in section 4351.</p>
Form 1, Statement B, Notes and Instructions, Notes to Lines 18 and 20	<p><b>4363. Non-acceptable internal storage and non-acceptable securities location</b></p> <p>(1) If securities are:</p> <p>(i) not considered to be under the Dealer Member's control or physical possession for purposes of good <i>segregation</i> under section 4354; or</p> <p>(ii) not under a Dealer Member's physical possession and are held at a non-acceptable securities location because:</p> <p>(a) the location does not meet the criteria for an acceptable external securities location as specified in section 4347; or</p> <p>(b) there is no annual written approval of a foreign institution or foreign securities dealer as an acceptable securities location as specified in section 4350,</p>

Repealed current rule	Proposed plain language rule
<p>Rules 2000.2(b), 4<sup>th</sup> paragraph and 2000.9, 7<sup>th</sup> and 8<sup>th</sup> paragraphs and Form 1, Statement B, Notes and Instructions, Notes to Line 20</p> <p>Form 1, Statement B, Notes and Instructions, Notes to Lines 18 and 20 and Statement C, Notes and Instructions, Notes to Line 2(c)</p>	<p>Then, when it calculates <i>risk adjusted capital</i>, a Dealer Member must deduct 100% of the market value of the securities held in custody with the non-acceptable securities location. <a href="#">[LINK Form 1, Statement B, Notes and Instructions, Line 18]</a></p> <p><b>4364. No confirmation from securities location</b></p> <p>(1) Security positions where the Dealer Member has not received:</p> <p>(i) a positive annual audit confirmation under subsection 4355(2); or</p> <p>(ii) a confirmation from a transfer agent, within the required time period, under subsection 4356(3), 4357(3) or 4358(3); or</p> <p>(iii) a confirmation of a related stock split or stock dividend under subsection 4359(2)</p> <p>are not considered to be under the Dealer Member's control or physical possession for purposes of good <i>segregation</i> and must be transferred to a Dealer Member's difference account.</p> <p>(2) For difference account positions in subsection (1), the Dealer Member must:</p> <p>(i) provide for the purposes of calculating <i>risk adjusted capital</i>, as an amount required to margin, the sum of the security position market value and the normal inventory margin; and <a href="#">[LINK Form 1, Statement B, Notes and Instructions, Line 20]</a></p> <p>(ii) undertake to borrow or buy-in the position pursuant to section 4367.</p> <p><b>4365. No written custodial agreement</b></p> <p>(1) If a Dealer Member does not have a written custodial agreement with a custodian, and that entity would otherwise qualify as an acceptable securities location, it must provide margin on the security positions held in custody at that custodian in accordance with subsections 4365(2) and 4365(3). <a href="#">[LINK GN 4340-2]</a></p> <p>(2) <b>Dealer Member has no set-off risk with the custodian</b></p> <p>(i) If the Dealer Member has no <i>set-off risk</i> with the custodian, in determining its early warning excess and early warning reserve, the Dealer Member must deduct as a margin requirement 10% of the market value of the securities held in custody at the custodian. <a href="#">[LINK Form 1, Statement C, Notes and Instructions, Line 2(c)]</a></p> <p>(3) <b>Dealer Member has set-off risk with the custodian</b></p> <p>(i) If the Dealer Member has <i>set-off risk</i> with the custodian, in determining:</p> <p>(a) its <i>risk adjusted capital</i>, the Dealer Member must deduct as a margin requirement the lesser of:</p> <p>(I) 100% of the <i>set-off risk</i> exposure, and</p> <p>(II) 100% of the <i>market value of securities</i> held in custody</p> <p>and</p> <p>(b) its early warning excess and early warning reserve, the Dealer</p>

Repealed current rule	Proposed plain language rule
<p>Rule 2000.9, 8<sup>th</sup> paragraph and Form 1, Statement B, Notes and Instructions, Notes to Line 20</p>	<p>Member must deduct as a margin requirement the lesser of:</p> <ul style="list-style-type: none"> <li>(I) 10% of the market value of the securities held in custody at the custodian; and</li> <li>(II) 100% of the market value of the securities held in custody at the custodian less amount required in sub-clause 4365(3)(i)(a).</li> </ul> <p>[LINK Form 1, Statement B, Notes and Instructions Line 18]</p> <p><b>4366. Books and records – reconciliation</b></p> <ul style="list-style-type: none"> <li>(1) If a Dealer Member reconciles its books and records to an issuing mutual fund’s or financial institution’s monthly files or statements in accordance with section 4360, the Dealer Member must provide margin based on the requirements in Form 1, Statement B, Line 20, Notes and Instructions for any unresolved differences. [LINK Form 1, Statement B, Line 20]</li> <li>(2) If a Dealer Member does not reconcile its books and records with files or statements received from mutual funds, or financial institutions for evidences of deposit, it must: <ul style="list-style-type: none"> <li>(i) in determining its <i>risk adjusted capital</i>, deduct as a margin requirement for unresolved differences an amount equal to: <ul style="list-style-type: none"> <li>(a) 10% of the <i>market value of the securities</i>, where there have been no transactions in the securities, other than redemptions and transfers, for at least six months and no loan value has been given on the securities; or</li> <li>(b) 100% of the <i>market value of the securities</i>. [LINK Form 1, Statement B, Line 20]</li> </ul> </li> <li>(ii) undertake to borrow or buy-in the position pursuant to section 4367.</li> </ul> </li> </ul>
<p>Rule 2000.9, 8<sup>th</sup> paragraph</p>	<p><b>4367. Difference accounts</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must maintain a difference or suspense account to record all securities not received due to unreconcilable differences or errors in any accounts.</li> <li>(2) If a Dealer Member has not received the securities recorded in a difference account within 30 business days of recording the deficiency, the Dealer Member must: <ul style="list-style-type: none"> <li>(i) borrow the same class or series of securities to cover the deficiency; or</li> <li>(ii) undertake to purchase the securities immediately.</li> </ul> </li> </ul>
<p>New</p>	<p><b>4368. - 4379. - Reserved</b></p>
<p>New New Rules 1200.1(a) and (b)</p>	<p><b>Part C – Client free credit balance requirements</b></p> <p><b>4380. Introduction</b></p> <ul style="list-style-type: none"> <li>(1) Part C of Rule 4300 restricts a Dealer Member’s <i>free credit balances</i> in its business.</li> </ul> <p><b>4381. Definitions</b></p> <ul style="list-style-type: none"> <li>(1) In Part C of Rule 4300:</li> </ul>

Repealed current rule	Proposed plain language rule
	<p>(i) “<i>client free credit balance</i>” means:</p> <p>(a) For cash and margin accounts, the credit balance less an amount equal to the aggregate of:</p> <p>(I) the market value of short positions and</p> <p>(II) margin required on those short positions.</p> <p>(b) For futures accounts, the credit balance less an amount equal to the aggregate of:</p> <p>(I) margin required to carry open futures contracts or futures contract option positions; less</p> <p>(II) any equity in those contracts; plus</p> <p>(III) any deficits in those contracts.</p> <p>However, the aggregate amount must not exceed the dollar amount of the credit balance.</p> <p>(ii) “<i>net allowable assets</i>” means a Dealer Member’s net allowable assets calculated in Statement B of Form 1.</p>
Form 1, Statement D	<p><b>4382. Dealer Member’s use of client <i>free credit balances</i></b></p> <p>(1) A Dealer Member may use its clients’ <i>free credit balances</i> in its business only in accordance with Part C of Rule 4300.</p>
Rule 1200.2	<p><b>4383. Notation on client account statements</b></p> <p>(1) A Dealer Member that does not keep its clients’ <i>free credit balances</i>:</p> <p>(i) segregated in trust for clients in an account with an <i>acceptable institution</i> and</p> <p>(ii) separate from other money the Dealer Member receives;</p> <p>must clearly write the following or equivalent on all statements of account it sends to clients:</p> <p>“Any <i>free credit balances</i> represent funds payable on demand which, although properly recorded in our books, may not be segregated and may be used in the conduct of our business.”</p>
Rule 1200.3	<p><b>4384. Calculating usable <i>free credit balances</i></b></p> <p>(1) A Dealer Member may not use in its business an amount of clients’ <i>free credit balances</i> that totals more than</p> <p>(i) eight times the Dealer Member’s <i>net allowable assets</i> plus</p> <p>(ii) four times the Dealer Member’s early warning reserve <a href="#">[LINK to Statement C of Form 1 on calculating EW reserve]</a></p> <p>(2) A Dealer Member must segregate clients’ <i>free credit balances</i> in excess of the amount calculated in (1) above either:</p> <p>(i) in cash held in trust for clients in a separate account with an acceptable</p>

Repealed current rule	Proposed plain language rule
<p>Rule 1200.4</p> <p>Rules 1200.5 and 1200.6</p> <p>New</p>	<p>institution; or</p> <p>(ii) in bonds, debentures, treasury bills, and other securities with a maturity of less than one year of, or guaranteed by, the Government of Canada, a province of Canada, the United Kingdom, the United States, or any other national foreign government that is on the List of Basle Accord Countries.</p> <p><b>4385. Weekly calculation</b></p> <p>(1) At least weekly, a Dealer Member must calculate the amounts that must be segregated under Section 4384.</p> <p><b>4386. Daily compliance review</b></p> <p>(1) Every day, a Dealer Member must review its compliance with Section 4384 against the amounts Part C of Rule 4300 requires it to segregate.</p> <p>(2) A Dealer Member must identify and promptly correct any deficiency in amounts of <i>free credit balances</i> required to be segregated.</p> <p><b>4387. - 4399. - Reserved</b></p>
<p>New</p> <p>New</p> <p>Rule 2600, Statement 5 – Minimum required firm policies and procedures (1)</p> <p>Rule 1.1, “Securities Held for Safekeeping”</p> <p>Rule 2600, Statement 5 – Min required firm policies and procedures (2)</p> <p>Rule 2600, Statement 5 – Minimum required firm policies and procedures (3)</p> <p>Rule 2600, Statement 5 – Minimum required firm policies and procedures (4)</p> <p>New</p>	<p><b>Part D – Safekeeping requirements</b></p> <p><b>4400. Introduction</b></p> <p>(1) Part D of Rule 4400 requires a Dealer Member to have adequate safekeeping arrangements in place to protect its clients’ assets.</p> <p><b>4401. Written safekeeping agreement</b></p> <p>(1) A Dealer Member with <i>securities held for safekeeping</i> must have a written safekeeping agreement with each client it holds securities for.</p> <p><b>4402. Securities free from encumbrance</b></p> <p>(1) A Dealer Member must keep <i>securities held for safekeeping</i> free from any encumbrance.</p> <p><b>4403. Procedures to keep securities apart</b></p> <p>(1) A Dealer Member must keep <i>securities held for safekeeping</i> separate from all other securities and must have procedures in place to ensure this separation.</p> <p><b>4404. Identifying <i>securities held for safekeeping</i> in records</b></p> <p>(1) A Dealer Member must specifically identify and record <i>securities held for safekeeping</i> in its securities position records and client’s ledger and statement of account.</p> <p><b>4405. Release of <i>securities held in safekeeping</i></b></p> <p>(1) A Dealer Member may release <i>securities held for safekeeping</i> to others only when the client so instructs.</p> <p><b>4406. - 4419. - Reserved</b></p>
<p>New</p> <p>New</p>	<p><b>Part E – Internal controls requirements for safeguarding cash and securities</b></p> <p><b>4420. Introduction</b></p>

Repealed current rule	Proposed plain language rule
Rule 2600, Statement 6 – Control Objectives (a) and (b) and Minimum required firm policies and procedures	<p>(1) Part E of Rule 4400 requires a Dealer Member to have policies and procedures to prevent loss of its clients' and its own assets.</p> <p><b>4421. Safeguarding client and Dealer Member cash and securities</b></p> <p>(1) A Dealer Member must safeguard its clients' and its own cash and securities:</p> <ul style="list-style-type: none"> <li>(i) to protect them against material loss; and</li> <li>(ii) to detect and account for potential losses (for regulatory, financial and insurance purposes) on a timely basis.</li> </ul> <p>(2) A Dealer Member must develop, and comply with, internal policies and procedures that meet at least the minimum requirements for safeguarding cash and securities as described in sections 4422 through 4433.</p> <p>(3) The Corporation recognizes that a Dealer Member with a small operation may be unable to comply with this Rule's requirements to segregate duties. If these minimum requirements are inappropriate because of a Dealer Member's small size, it must implement alternative control procedures that the Corporation approves.</p>
Rule 2600, Statement 6 – Minimum required firm policies and procedures (1)	<p><b>4422. Receipt and delivery of securities</b></p> <p>(1) Personnel who receive and deliver physical securities must not have access to the Dealer Member's security records.</p> <p>(2) The Dealer Member must handle securities in a restricted and secure area.</p> <p>(3) The receipt and delivery of securities must be promptly and accurately recorded (including certificate numbers, registrations, and coupon numbers).</p> <p>(4) A Dealer Member using mail service must send negotiable certificates by registered mail.</p> <p>(5) A Dealer Member must obtain signed receipts from the client or agent for all securities not delivered against payment.</p>
Rule 2600, Statement 6 – Minimum required firm policies and procedures (2)	<p><b>4423. Restricting access to securities</b></p> <p>(1) Only designated individuals may physically handle securities.</p> <p>(2) Securities may be physically handled only in a restricted and secure area.</p> <p>(3) Only individuals not involved in maintaining or balancing Dealer Member records may handle physical securities.</p>
Rule 2600, Statement 6 – Minimum required firm policies and procedures (3)	<p><b>4424. Clearing</b></p> <p>(1) A Dealer Member must promptly compare and balance its records with reports of the previous day's settlements.</p> <p>(2) Only personnel who do not carry out trading functions may reconcile clearing or settlement accounts.</p> <p>(3) A Dealer Member must take prompt action to correct differences in its records.</p> <p>(4) A Dealer Member must regularly review aged "fails to deliver" and "fails to receive" and identify the reason(s) for settlement delay.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (4)</p>	<p>(5) Any fail that continues for an extended period of time must be promptly reported to senior management.</p> <p>(6) A Dealer Member must not use client securities in settling non-client short sales.</p> <p>(7) A Dealer Member must not use a client’s fully-paid securities in settling short sales of other clients unless it has obtained written permission from, and provided appropriate collateral to, the client pursuant to clause 4607(2)(ii).</p> <p>(8) A Dealer Member must reconcile its records daily with clearing corporation and depository records to ensure they agree.</p> <p><b>4425. Protecting securities</b></p> <p>(1) A Dealer Member must assess the risk of any securities location that holds securities for it.</p> <p>(2) A Dealer Member’s processing controls must separate duties for recording entries from duties for initiating transfers on depository records (for example, transfers between the “free” and “seg” boxes).</p> <p>(3) At least monthly, a Dealer Member must reconcile its records of security and other asset positions to the custodian’s records where securities are held. The Dealer Member must investigate differences and make appropriate adjustment entries as necessary.</p> <p>(4) A Dealer Member must have a proper written custody agreement with each custodian where securities are held.</p>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (5)</p>	<p><b>4426. How to handle security records</b></p> <p>(1) Personnel maintaining and balancing securities records must not be involved in handling physical securities.</p> <p>(2) A Dealer Member must promptly update its securities records to reflect changes in location and ownership of securities under its control.</p> <p>(3) Journal entries made to securities records must be clearly identified and a Dealer Member must review and approve adjustments before processing.</p>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (6)</p>	<p><b>4427. Rules for counting securities</b></p> <p>(1) At least once a year, a Dealer Member must count physical securities held:</p> <p style="padding-left: 20px;">(i) in segregation, and</p> <p style="padding-left: 20px;">(ii) for safekeeping</p> <p style="padding-left: 20px;">in addition to its annual external audit physical security count.</p> <p>(2) At least monthly, a Dealer Member must count physical securities held in current boxes.</p> <p>(3) Only personnel who do not handle securities may conduct physical security counts.</p> <p>(4) Count procedures must include all physical securities held in the box location(s)</p>

Repealed current rule	Proposed plain language rule
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (7)</p>	<p>subject to the count and must simultaneously verify related positions such as positions in-transit or in the process of being transferred.</p> <p>(5) During a physical security count, both the description of the security and the quantity must be compared to the Dealer Member’s records. Any discrepancies must be investigated and corrected promptly. Positions not reconciled within a reasonable period must be promptly reported to senior management and accounted for.</p> <p><b>4428. Moving certificates and securities between branches</b></p> <p>(1) A Dealer Member must record the location of certificates in-transit between its offices in separate transit accounts on its security position records. The Dealer Member must reconcile these accounts monthly.</p> <p>(2) When securities are in transit, a Dealer Member must book out the securities from the branch account and book them into the transit account. When the securities are physically received at a branch, the Dealer Member must book them out of the transit account and into the receiving branch’s account.</p> <p>(3) The receiving branch must check securities received against the accompanying transit sheet.</p> <p>(4) The methods of transportation a Dealer Member chooses for securities in transit must:</p> <ul style="list-style-type: none"> <li>(i) comply with insurance policy terms; and</li> <li>(ii) take into account the value, negotiability, urgency, and cost factors.</li> </ul>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (8)</p>	<p><b>4429. Transferring securities</b></p> <p>(1) A Dealer Member must maintain a record showing all securities sent to, and held by, transfer agents.</p> <p>(2) Only designated individuals outside the transfer department have authority to request transfers into a name other than the Dealer Member’s name. Only fully-paid securities (new issues excepted) may be transferred into a name other than the Dealer Member’s name.</p> <p>(3) The transfer department may carry out transfers only when it receives a properly authorized request.</p> <p>(4) A Dealer Member’s security position record must record, and name them as, “securities out for transfer”.</p> <p>(5) A Dealer Member must have a receipt for a securities position at a transfer agent.</p> <p>(6) A Dealer Member must prepare, and management must review, a weekly ageing of all transfer positions to verify the validity of the positions and the reasons for any undue delay in receiving securities from transfer agents.</p> <p>(7) Personnel handling transfers must not have other security-cage functions such as deliveries, current box, or segregation.</p>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures</p>	<p><b>4430. Re-organization</b></p> <p>(1) A Dealer Member must have a formal procedure to identify and record the timing</p>

Repealed current rule	Proposed plain language rule
(9)	<p>and terms of all issuances such as forthcoming rights and offers.</p> <p>(2) A Dealer Member must have a clear method of communicating upcoming re-organization activities to the sales force. These include deadlines for submitting special instructions in writing and any special handling procedures required for key dates.</p> <p>(3) A single person or department must have clear responsibility for organizing and handling each offer.</p> <p>(4) A Dealer Member must clearly define procedures to balance positions daily and to physically control securities.</p> <p>(5) A Dealer Member must regularly reconcile and review suspense accounts involving offers and splits.</p>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (10)</p>	<p><b>4431. Handling dividends and interest</b></p> <p>(1) A Dealer Member must have a system to record the total dividends and interest payable and receivable at due date.</p> <p>(2) Record-keeping personnel must not handle cash or authorize payments.</p> <p>(3) At least monthly, a Dealer Member must:</p> <ul style="list-style-type: none"> <li>(i) reconcile dividend and interest accounts; and</li> <li>(ii) review aged dividend receivables.</li> </ul> <p>(4) Only the department manager or other senior personnel may authorize write-offs.</p> <p>(5) A supervisor or manager must approve journal entries to and from dividend and interest accounts.</p> <p>(6) A Dealer Member:</p> <ul style="list-style-type: none"> <li>(i) must not pay dividend claims - other than as part of an automatic settlement system - unless accompanied by supporting documents such as proof of registration; and</li> <li>(ii) must compare supporting documents with internal records for validity and then have senior personnel approve them.</li> </ul> <p>(7) A Dealer Member must withhold non-resident tax when required by law.</p> <p>(8) A Dealer Member must ensure client income is appropriately reported for income tax purposes.</p>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (11)</p>	<p><b>4432. Reconciling internal accounts</b></p> <p>(1) At least monthly, a Dealer Member must reconcile internal accounts.</p> <p>(2) A supervisor must review the reconciliation.</p>
<p>Rule 2600, Statement 6 – Minimum required firm policies and procedures (12)</p>	<p><b>4433. Cash</b></p> <p>(1) Senior personnel must review and approve all bank reconciliations.</p> <p>(2) At least monthly, a Dealer Member must reconcile bank accounts in writing,</p>

Repealed current rule	Proposed plain language rule
	<p>identifying and dating all reconciling items.</p> <p>(3) Journal entries to clear reconciling items must be made on a timely basis and approved by management.</p> <p>(4) Bank accounts must be reconciled by personnel who do not have:</p> <ul style="list-style-type: none"> <li>(i) access to funds, either receipts and disbursements; or</li> <li>(ii) access to securities; or</li> <li>(iii) record-keeping responsibilities that include the authority to write or approve journal entries.</li> </ul> <p>(5) Senior management must establish criteria for approving the requisition of a cheque.</p> <p>(6) Cheques must be pre-numbered, and a Dealer Member must account for numerical continuity.</p> <p>(7) Cheques require the signatures of two authorized individuals.</p> <p>(8) The authorized individuals must only sign a cheque when the appropriate supporting documents are provided. The supporting documents must be cancelled after they sign the cheque.</p> <p>(9) A Dealer Member must limit and supervise access to any facsimile-signature machine.</p> <p><b>4434. - 4449. - Reserved</b></p>
<p>New</p> <p>New</p> <p>New</p> <p>Rule 400.4</p> <p>Rule 17.5</p>	<p><b>Part F – Insurance Requirements</b></p> <p><b>4450. Introduction</b></p> <p>(1) Part F of Rule 4400 requires a Dealer Member to have enough insurance to protect against potential losses from theft, fraudulent acts, et cetera.</p> <p><b>4451. Definitions</b></p> <p>(1) In Part F of Rule 4400:</p> <ul style="list-style-type: none"> <li>(i) <i>“base amount”</i> means the greater of: <ul style="list-style-type: none"> <li>(a) the aggregate client net equity for all client accounts, where net equity for each client is the excess, if any, of the total value of cash and securities the Dealer Member owes to the client over the total value of cash and securities the client owes to the Dealer Member; and</li> <li>(b) the aggregate Dealer Member liquid and other allowable assets calculated in accordance with Form 1, Statement A.</li> </ul> </li> <li>(ii) <i>“standard form FIB”</i> means the standard form of Financial Institution Bond insurance coverage a Dealer Member must obtain.</li> </ul> <p><b>4452. Dealer Member must have insurance</b></p> <p>(1) A Dealer Member must have and maintain insurance:</p>

Repealed current rule	Proposed plain language rule
Rule 400.6, 1 <sup>st</sup> sentence	<ul style="list-style-type: none"> <li>(i) against the types of loss including fidelity, premises, in-transit, forgery or alterations, securities, and mail; and</li> <li>(ii) with at least the minimum amount of coverage prescribed in Part F of Rule 4400.</li> </ul>
Rule 400.6, 2 <sup>nd</sup> sentence	<p><b>4453. Qualified insurance carriers</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must obtain and maintain insurance underwritten by either: <ul style="list-style-type: none"> <li>(i) an insurer registered or licensed under the laws of Canada or a province of Canada; or</li> <li>(ii) a foreign insurer the Corporation has approved.</li> </ul> </li> </ul>
Rule 400.1	<p><b>4454. Foreign insurers</b></p> <ul style="list-style-type: none"> <li>(1) To obtain Corporation approval, a foreign insurer must: <ul style="list-style-type: none"> <li>(i) have a minimum net worth of \$75 million on its last audited balance sheet;</li> <li>(ii) have financial information acceptable to, and available for inspection by, the Corporation; and</li> <li>(iii) satisfy the Corporation that it is subject to supervision by regulatory authorities in its incorporation jurisdiction that is substantially similar to a Canadian insurance company's supervision.</li> </ul> </li> </ul>
Rule 400.2	<p><b>4455. Mail insurance</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must have mail insurance that covers 100% of losses from any outgoing shipments of negotiable or non-negotiable securities by registered mail.</li> <li>(2) If a Dealer Member delivers a written promise to the Corporation that it will not use registered mail for outgoing shipments of securities, the Corporation may exempt the Dealer Member from the requirement in subsection (1).</li> </ul>
Rule 400.2	<p><b>4456. Financial Institution Bond</b></p> <ul style="list-style-type: none"> <li>(1) A Dealer Member must have and maintain insurance against losses, using a financial institution bond (FIB) with a discovery rider attached or discovery provisions incorporated in the FIB. The five types of losses the insurance must cover are: <ul style="list-style-type: none"> <li>(i) Any loss, including loss of property, from a dishonest or fraudulent act of a Dealer Member's employees: <ul style="list-style-type: none"> <li>(a) committed anywhere; and</li> <li>(b) committed alone or with others.</li> </ul> </li> <li>(ii) Any loss of money, securities, or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage, or destruction while in any of: <ul style="list-style-type: none"> <li>(a) the insured's offices;</li> </ul> </li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
<p>Rule 400.4</p>	<p>(b) a banking institution's offices;</p> <p>(c) a clearing house; or</p> <p>(d) a recognized place of safe-deposit;</p> <p>all as defined in the <i>standard form FIB</i>.</p> <p>(iii) Any loss of money and negotiable or non-negotiable securities or other property, while in transit. The value of securities in transit in an employee's or agent's custody must not exceed the protection under this clause. In-transit coverage must be calculated on a dollar-for-dollar basis. A Dealer Member must provide, for Corporation approval, a list of exceptions to the money, securities, or other property protected under this clause.</p> <p>(iv) Any loss through forgery or alteration of any:</p> <p>(a) cheques;</p> <p>(b) drafts;</p> <p>(c) promissory notes; or</p> <p>(d) other written orders or directions to pay sums in money;</p> <p>excluding securities, as defined in the <i>standard form FIB</i>.</p> <p>(v) Any loss:</p> <p>(a) through the purchase, acquisition, sale, delivery, extension of credit, or action on securities or other written instruments which prove to have been:</p> <p>(I) forged;</p> <p>(II) counterfeited;</p> <p>(III) raised or altered; or</p> <p>(IV) lost or stolen;</p> <p>or</p> <p>(b) due to having guaranteed in writing or having witnessed any signatures on any transfers, assignments or other documents or written instruments, as defined in the <i>standard form FIB</i>.</p> <p><b>4457. General minimum insurance requirement</b></p> <p>(1) Full-service and introducing Dealer Members types 3 and 4 must maintain minimum insurance for each clause in subsection 4456(1) for the greater of:</p> <p>(i) \$500,000; or</p> <p>(ii) 1% of the base amount,</p> <p>subject to a maximum of \$25,000,000 for each clause.</p>

Repealed current rule	Proposed plain language rule
Rule 400.4	<p><b>4458. Minimum insurance requirement for certain introducing brokers</b></p> <p>(1) Introducing Dealer Members types 1 and 2 must maintain minimum insurance for each loss in subsection 4456(1) for the greater of:</p> <p>(i) \$200,000 for an introducing type 1 arrangement and \$500,000 for an introducing type 2 arrangement; or</p> <p>(ii) ½% of the base amount,</p> <p>subject to a maximum of \$25,000,000 for each clause.</p>
Rule 400.5(b)	<p><b>4459. Double aggregate limit</b></p> <p>(1) A Dealer Member must maintain minimum insurance coverage with a double aggregate limit or a provision for full reinstatement</p>
Rule 400.5(f) and Form 1, Schedule 10	<p><b>4460. Calculating minimum insurance requirement and RAC provisions</b></p> <p>(1) Every month, a Dealer Member must calculate its required minimum insurance coverage and file Schedule 10 with its MFR.</p> <p>(2) In calculating minimum insurance coverage requirements, a Dealer Member must treat non-negotiable and negotiable form securities as the same.</p> <p>(3) When calculating <i>risk adjusted capital</i>, a Dealer Member must provide capital for the amount of its insurance deductible.</p>
Rule 400.5(c)	<p><b>4461. Correction of insufficient coverage</b></p> <p>(1) If a Dealer Member has less coverage than the calculated minimum insurance requirement coverage and the deficiency:</p> <p>(i) is less than 10% of the minimum insurance requirement, the Dealer Member must correct the deficiency within 2 months of the filing date of the MFR within which the deficiency was reported.</p> <p>(ii) is 10% or more of the insurance requirement, the Dealer Member must promptly notify the Corporation and correct the deficiency within 10 days of identifying it.</p>
Rule 400.7	<p><b>4462. Global Financial Institution Bonds</b></p> <p>(1) If a Dealer Member maintains insurance under Part F of Rule 4400 that names the insured as, or that benefits, the Dealer Member and any other person, then:</p> <p>(i) the Dealer Member must have the right to claim directly against the insurer for losses, and payment or satisfaction of losses must be made directly to the Dealer Member; and</p> <p>(ii) the individual or aggregate limits under the <i>standard form FIB</i> may only be affected by claims made by or for:</p> <p>(a) the Dealer Member,</p> <p>(b) the Dealer Member's subsidiaries whose financial results are consolidated with the Dealer Member's, or</p> <p>(c) the Dealer Member's holding company, if the holding company</p>

Repealed current rule	Proposed plain language rule
Rule 400.3	<p>does not carry on any business or own any investments other than its interest in the Dealer Member.</p> <p>This applies no matter what the claims, experience, or any other factor that refers to any other person.</p> <p><b>4463. Notify the Corporation of underwriter insurance termination</b></p> <p>(1) A Dealer Member's <i>standard form FIB</i> and mail insurance policies must require the underwriter to notify the Corporation at least 30 days before it terminates or cancels insurance coverage.</p>
Rule 400.3(b), 1 <sup>st</sup> 3.5 lines and end of section	<p><b>4464. When insurance ends due to take-over</b></p> <p>(1) A Dealer Member taken over by another entity must ensure it has <i>standard form FIB</i> coverage for 12 months from the date of the take-over to cover discovery of any losses it had before the take-over date.</p> <p>(2) The Dealer Member must ensure that any additional premium is paid.</p>
Rule 17.6	<p><b>4465. Notify the Corporation of claims</b></p> <p>(1) A Dealer Member must give written notice to the Corporation within two business days of reporting a claim to the insurer or its authorized representative.</p>
New	<b>4466. - 4499. - Reserved</b>

Repealed current rule	Proposed plain language rule
New	<b>Rules 4500 and 4600 – Financing Arrangements</b>
New	<p><b>4501. Introduction</b></p> <p>(1) Rules 4500 and 4600 set out the following Dealer Member requirements relating to financing arrangements:</p> <p>(i) Repurchase market trading practices <i>[Part A, Sections 4510 through 4518]</i>; and</p> <p>(ii) Cash and securities loan, repurchase, and reverse repurchase transactions <i>[Part B, Sections 4600 through 4608]</i>;</p>
New	<b>4502. - 4509. - Reserved</b>
New	<b>Part A – Repurchase market trading practices</b>
Rule 3000, Introduction	<p><b>4510. Introduction</b></p> <p>(1) Part A of Rule 4500 sets out a standard set of trading practices to increase the transparency of the repo markets and to promote liquidity and efficiency in the markets.</p>
Rule 3000, Definitions	<p><b>4511. Definitions</b></p> <p>(1) In Part A of Rule 4500, the following definitions apply:</p> <p>(i) <i>“best efforts”</i> means, a repo trade where the buyer assumes the risk that the seller cannot deliver the securities within the specified time.</p> <p>(ii) <i>“forward repo”</i> means, a repo trade that settles later than next day.</p> <p>(iii) <i>“general collateral”</i> means, Government of Canada debt that is CDSX eligible, including real-return bonds, strips and coupons. For real-return bonds an all-in price should be used and the coupon exchanged on coupon payment date.</p> <p>(iv) <i>“inter-dealer broker”</i> means, an organization that provides customers information, electronic trading and communications services for trading in wholesale financial markets.</p> <p>(v) <i>“odd-lot”</i> means, a lot less than \$25 million for either (i) overnight and term general collateral; or (ii) specials, both term and overnight.</p> <p>(vi) <i>“repo”</i> means, repurchase agreement that allows a debt securities owner to borrow money by selling the securities and agreeing to buy them back at an agreed price on a specific date.</p>
New	<p><b>4512. General</b></p> <p>(1) A Dealer Member trading in the repo market that does not include all necessary terms about sales and set-offs in an agreement with the other party must make a capital adjustment. <a href="#">[LINK: C-77, paragraph 6]</a></p>
Rules 3000D(1), (2), (3), (4), (5) and (6)	<p><b>4513. Marking to market</b></p> <p>(1) Unless otherwise agreed by the parties, a Dealer Member must periodically review its margins to ensure that they are still appropriate for the maturity dates.</p>

Repealed current rule	Proposed plain language rule
	<ul style="list-style-type: none"> <li>(2) Unless otherwise agreed by the parties, a Dealer Member that wants to mark-to-market its counterparties must do so by 11:30 a.m. (Toronto time). The mark-to-market must be done on a net basis and not done by issue.</li> <li>(3) If the parties cannot agree on a price, the current mid-market prices must be used to determine the mark-to-market price. A Dealer Member must use the composite prices on an inter-dealer broker's screen to determine mid-market price.</li> <li>(4) A Dealer Member must maintain margin through margin calls and not through substitutions.</li> <li>(5) Cash and collateral considerations: <ul style="list-style-type: none"> <li>(i) unless the parties agree otherwise, all dealer-to-dealer margin calls must be met with the transfer of cash and/or collateral.</li> <li>(ii) if a Dealer Member chooses to meet the margin call with cash, the cash may not be used to change the economic nature of the trade. The cash will bear interest at the rate agreed between the parties.</li> <li>(iii) if a Dealer Member chooses to meet a margin call using collateral, the collateral must have characteristics similar to or better than the collateral being repoed, be reasonably acceptable to the other party and be applied on a reasonable basis.</li> <li>(iv) a Dealer Member may deliver a maximum of one piece of collateral per million dollars.</li> </ul> </li> <li>(6) A Dealer Member that wishes to substitute previously margined collateral must do so by 11:30 a.m. (Toronto time).</li> </ul>
<p>Rules 3000E(1) and (2)</p>	<p><b>4514. Forward repo confirmations</b></p> <ul style="list-style-type: none"> <li>(1) Trade confirmations and minimum requirements <ul style="list-style-type: none"> <li>(i) a Dealer Member must send a confirmation of a forward repo on the trade date.</li> <li>(ii) in addition to other regulatory requirements, the confirmation must include, at a minimum, the: <ul style="list-style-type: none"> <li>(a) money or par amount, as applicable;</li> <li>(b) start date;</li> <li>(c) end date;</li> <li>(d) interest rate;</li> <li>(e) collateral type; and</li> <li>(f) any substitution rights.</li> </ul> </li> </ul> </li> <li>(2) All forward settlement transactions must be confirmed on the CDSX system.</li> </ul>
<p>Rules 3000F(1) and (2)</p>	<p><b>4515. Obligation to make coupon payments</b></p> <ul style="list-style-type: none"> <li>(1) A repo seller must receive payment from the repo buyer of any income on the securities that the seller would have been entitled to if it had not entered the repo transaction.</li> </ul>

Repealed current rule	Proposed plain language rule
Rules 3000I(1) and (2)	<p>(2) A repo buyer does not need to transfer an amount equal to the income payment to the repo seller, but can apply it to reduce the amount transferred to the repo buyer at the end of the transaction. All repo agreements are priced this way, unless otherwise agreed. <a href="#">[LINK: section 4, Corporation Repurchase/Reverse Repurchase Transaction Agreement]</a></p> <p><b>4516. Substitutions</b></p> <p>(1) A repo purchaser does not need to accept collateral substitutions unless it agreed to do so before the transaction.</p> <p>(2) Collateral passed for an overnight or term trade may be substituted on a best efforts basis only.</p>
Rules 3000G and H	<p><b>4517. General collateral repo allocations</b></p> <p>(1) General collateral transactions in the repo market are allocated based on the type of transaction. The general allocation methods for cash settlements, forward settlements and replacement transactions when substitutions occur are set out in this section.</p> <p>(2) Money-fill basis</p> <p>(i) general collateral transactions are completed on a money-fill basis (defined below), unless otherwise agreed.</p> <p>(ii) a transaction executed on a money-fill basis means that the loan or principal amount allocated must be equal to the loan amount transacted. Collateral allocations will be no more than two issues to make \$50 million.</p> <p>(iii) clause (ii) applies to cash trades, forward settlements and substitutions.</p> <p>(3) If a transaction is executed on a par basis:</p> <p>(i) the allocated amount must equal the par amount for cash and forward settlements; and</p> <p>(ii) for substitutions, the replacement transaction must be done on the basis of the par amount originally transacted.</p> <p>(4) Special repo trades must be done on a par basis.</p>
Rule 3000A	<p><b>4518. Confidentiality</b></p> <p>(1) Subject to subsection (3), all Dealer Members and inter-dealer brokers must maintain the confidentiality of the names of the parties to a trade.</p> <p>(2) Dealer Members and inter-dealer brokers must not ask questions to try to discover the identity of a party.</p> <p>(3) Certain information may be disclosed as follows:</p> <p>(i) for a trade that is done through an inter-dealer broker, a Dealer Member may disclose the identity of a party to only counterparties to the trade after the trade is completed.</p> <p>(ii) an inter-dealer broker may inform a Dealer Member that it does not have a</p>

Repealed current rule	Proposed plain language rule
New	<p>line of credit with the other party to the trade before a market is made, as long as it does not give any other information about that party.</p> <p>(iii) for a name “give up” trade, the full names of parties must be disclosed to counterparties to the trade at the time of the trade to ensure that Dealer Members follow proper credit procedures.</p> <p>(iv) subsections (1) and (2) do not prevent Dealer Members or inter-dealer brokers from asking or answering questions to determine the size of the bid or offer.</p> <p><b>4519. - 4599. - Reserved</b></p>
<p>New</p> <p>New</p> <p>Rules 100.17(a), (b)(ii), (b) 2<sup>nd</sup> to last sentence and 2200.1 and Form 1, Schedules 1 and 7</p>	<p><b>Part B - Cash and securities loan, repurchase, and reverse repurchase transactions</b></p> <p><b>4600. Introduction</b></p> <p>(1) Part B of Rule 4600 covers requirements for cash and securities loan, <i>repurchase</i>, and <i>reverse repurchase</i> transactions and includes:</p> <ul style="list-style-type: none"> <li>(i) Definitions</li> <li>(ii) General requirements</li> <li>(iii) Written agreement requirement</li> <li>(iv) Margin requirements for cash and securities loans</li> <li>(v) Cash and securities loans between a Dealer Member and an <i>acceptable institution</i> or <i>acceptable counterparty</i></li> <li>(vi) Cash and securities loans between regulated entities</li> <li>(vii) Cash and securities loans with other counterparties</li> <li>(viii) Margin requirements for repurchase and reverse repurchase transactions</li> </ul> <p><b>4601. Definitions</b></p> <p>(1) In Part B of Rule 4600, the following definitions apply:</p> <ul style="list-style-type: none"> <li>(i) “<i>excess collateral deficiency</i>” means, the actual collateral provided to the counterparty less the collateral that the counterparty must receive under regulatory or legislative requirements. The Corporation regularly publishes a list of current collateralization rates for each category of acceptable counterparties.</li> <li>(ii) “<i>fixed rate</i>” means, a rate expressed as a price, decimal, or percentage per year or expressed in another manner that does not vary until termination.</li> <li>(iii) “<i>overnight cash loan agreement</i>” means, an oral or written agreement under which a Dealer Member deposits cash with another Dealer Member for up to two business days.</li> <li>(iv) “<i>overnight repurchase, reverse repurchase, or securities loan agreement</i>” means, an obligation to repurchase or resell a security or terminate a loan within five business days of the date on which the obligation is assumed.</li> <li>(v) “<i>regular settlement</i>” means, the settlement or delivery dates generally</li> </ul>

Repealed current rule	Proposed plain language rule
<p>Rules 2200.4, 2200.5, 2200.6(c), 2200.7(a) and 2200.8(a), (b) and (e) last 2 lines</p>	<p>accepted in industry practice for a security in the market where the transaction occurs.</p> <p>(vi) “<i>repurchase agreement</i>” means, an agreement to sell and repurchase securities.</p> <p>(vii) “<i>reverse repurchase agreement</i>” means, an agreement to purchase and resell securities.</p> <p>(viii) “<i>Schedule I bank</i>” means, under the Bank Act (Canada), a Schedule I bank that has a capital and reserves position of one billion (\$1,000,000,000) or more at the time of the securities loan transaction.</p> <p>(ix) “<i>written cash and securities loan agreement</i>” means, a written cash and securities loan agreement, other than an overnight cash loan agreement, where the Dealer Member receives or pays cash, that contains the minimum provisions described in this Rule.</p> <p><b>4602. General requirements</b></p> <p>(1) <b>Marking to market</b></p> <p>(i) Borrowed securities and collateral must be marked to market daily on a loan-by-loan basis.</p> <p>(2) <b>Record transactions</b></p> <p>(i) A Dealer Member must record all financing transactions in its books and records.</p> <p>(3) <b>Loan accounts</b></p> <p>(i) A Dealer Member must keep financing accounts separate from the Dealer Member’s securities trading accounts.</p> <p>(ii) A Dealer Member must keep financing accounts separate from the client’s securities trading accounts.</p> <p>(4) <b>Confirmations and month-end statements</b></p> <p>(i) A Dealer Member must issue confirmations and month-end statements, except when the transaction with other regulated entities is processed through an <i>acceptable clearing corporation</i>.</p> <p>(5) <b>Buy-ins</b></p> <p>(i) A Dealer Member must begin a buy-in (liquidating transaction) within two business days of the date on which the buy-in notice is given.</p>
<p>Rules 2200.2, first sentence and 2200.3 and Form 1, Schedules 1 and 7</p>	<p><b>4603. Written agreement requirement</b></p> <p>(1) If a Dealer Member has a cash and securities loan agreement, other than an <i>overnight cash loan</i> agreement, that agreement must be in writing and contain the minimum provisions described in Rule 5100.</p> <p>(2) If a Dealer Member has a written agreement for a <i>repurchase agreement</i> or <i>reverse repurchase agreement</i>, that agreement must include the parties’ acknowledgement that either has the right, on notice, to—at any time—call for any shortfall in the difference between the collateral and the securities.</p>

Repealed current rule	Proposed plain language rule																		
Form 1, Notes and Instructions to Schedules 1 and 7	<p>(3) If a Dealer Member does not have a <i>written agreement</i> for a securities loan, a <i>repurchase agreement</i> or <i>reverse repurchase agreement</i>, then applicable margin rates are affected.</p> <p><b>4604. Margin requirements for cash and securities loans</b></p> <p>(1) A Dealer Member must calculate margin requirements for cash and securities loans as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="3" style="text-align: center;"><b>Margin requirements for cash and securities loans</b></th> </tr> <tr> <th style="text-align: center;"><i>Counterparty</i></th> <th style="text-align: center;"><i>With a written borrowing and lending agreement</i></th> <th style="text-align: center;"><i>No written borrowing and lending agreement</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Acceptable Institution</td> <td style="text-align: center;">No margin</td> <td style="text-align: center;">No margin</td> </tr> <tr> <td style="text-align: center;">Acceptable Counterparty</td> <td style="text-align: center;">Excess collateral deficiency</td> <td style="text-align: center;">100% of the market value of the securities or cash delivered to the other party</td> </tr> <tr> <td style="text-align: center;">Regulated Entity</td> <td style="text-align: center;">Market value deficiency</td> <td style="text-align: center;">100% of the market value of the securities or cash delivered to the other party</td> </tr> <tr> <td style="text-align: center;">Other</td> <td style="text-align: center;">Margin</td> <td style="text-align: center;">100% of the market value of the securities or cash delivered to the other party</td> </tr> </tbody> </table>	<b>Margin requirements for cash and securities loans</b>			<i>Counterparty</i>	<i>With a written borrowing and lending agreement</i>	<i>No written borrowing and lending agreement</i>	Acceptable Institution	No margin	No margin	Acceptable Counterparty	Excess collateral deficiency	100% of the market value of the securities or cash delivered to the other party	Regulated Entity	Market value deficiency	100% of the market value of the securities or cash delivered to the other party	Other	Margin	100% of the market value of the securities or cash delivered to the other party
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Rules 2200.7(a) and (b)	<p><b>4605. Cash and securities loans between a Dealer Member and an <i>acceptable institution</i> or <i>acceptable counterparty</i></b></p> <p>(1) When a cash or securities loan is between a Dealer Member and an <i>acceptable institution</i> or an <i>acceptable counterparty</i>, they may use as collateral letters of credit that a <i>Schedule I bank</i> issues.</p>																		
Rules 2200.6(a) and (b)	<p><b>4606. Cash and securities loans between <i>regulated entities</i></b></p> <p>(1) If a cash or securities loan is between <i>regulated entities</i>:</p> <p style="margin-left: 40px;">(i) the <i>written securities loan agreement</i> must state that either party has the right, at any time by giving notice to the other party, to call for any shortfall in the difference between the collateral and the borrowed securities; and</p> <p style="margin-left: 40px;">(ii) They may use as collateral, a <i>Schedule I bank</i> letter of credit.</p>																		
Rules 2200.8(c)(A), (B) and (C) and 2200.8(d)	<p><b>4607. Cash and securities loans with <i>other counterparties</i></b></p> <p>(1) When a cash or securities loan is between a Dealer Member and a party to which neither section 4605 nor 4606 applies, a Dealer Member must comply with subsections (2) and (3).</p> <p>(2) Securities pledged as collateral must:</p> <p style="margin-left: 40px;">(i) be held by:</p> <p style="margin-left: 80px;">(a) the Dealer Member in segregation,</p>																		

Repealed current rule	Proposed plain language rule																								
<p>Form 1, Notes and Instructions to Schedules 1 and 7</p>	<p>(b) an acceptable depository, or</p> <p>(c) a bank or trust company that is either an <i>acceptable institution</i> or an <i>acceptable counterparty</i> under an escrow agreement. The escrow agreement must be between the Dealer Member and the depository, institution, or counterparty and must be in a form acceptable to the Corporation.</p> <p>(ii) either:</p> <p>(a) be securities with a margin rate of 5% or less, or</p> <p>(b) be preferred shares or debt securities, convertible into common shares of the class borrowed.</p> <p>(3) If a Dealer Member does not comply with subsection (2) above, its net allowable assets are subject to a charge calculated in the same manner as for client account short securities balances.</p> <p><b>4608. Margin requirements for repurchase and reverse repurchase agreement transactions</b></p> <p>(1) A Dealer Member must calculate margin requirements for repurchase and reverse repurchase agreement transactions as follows:</p> <table border="1" data-bbox="615 945 1484 1829"> <thead> <tr> <th colspan="4" data-bbox="617 947 1482 1018">Margin requirements for repurchase and reverse repurchase agreement transactions</th> </tr> <tr> <th data-bbox="617 1018 792 1276" rowspan="3">Counterparty</th> <th data-bbox="792 1018 1032 1276" rowspan="3">With a written repurchase or reverse repurchase agreement</th> <th colspan="2" data-bbox="1032 1018 1482 1110"><i>No written repurchase or reverse repurchase agreement</i></th> </tr> <tr> <th colspan="2" data-bbox="1032 1110 1482 1203"><i>Calendar days after regular settlement</i></th> </tr> <tr> <th data-bbox="1032 1203 1281 1276"><i>30 days or less</i></th> <th data-bbox="1281 1203 1482 1276"><i>Greater than 30 days</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="617 1276 792 1409">Acceptable institution</td> <td data-bbox="792 1276 1032 1409">No margin</td> <td colspan="2" data-bbox="1032 1276 1482 1409">No margin, if confirmed within 15 business days. Margin, if unconfirmed after 15 business days</td> </tr> <tr> <td data-bbox="617 1409 792 1619">Acceptable counterparty</td> <td data-bbox="792 1409 1032 1619">Excess collateral deficiency</td> <td data-bbox="1032 1409 1281 1619">Excess collateral deficiency, if confirmed within 15 business days. Margin, if unconfirmed after 15 business days.</td> <td data-bbox="1281 1409 1482 1619">Margin</td> </tr> <tr> <td data-bbox="617 1619 792 1829">Regulated entity</td> <td data-bbox="792 1619 1032 1829">Market value deficiency</td> <td data-bbox="1032 1619 1281 1829">Market value deficiency, if confirmed within 15 business days. Margin, if unconfirmed after 15 business days.</td> <td data-bbox="1281 1619 1482 1829">Margin</td> </tr> </tbody> </table>	Margin requirements for repurchase and reverse repurchase agreement transactions				Counterparty	With a written repurchase or reverse repurchase agreement	<i>No written repurchase or reverse repurchase agreement</i>		<i>Calendar days after regular settlement</i>		<i>30 days or less</i>	<i>Greater than 30 days</i>	Acceptable institution	No margin	No margin, if confirmed within 15 business days. Margin, if unconfirmed after 15 business days		Acceptable counterparty	Excess collateral deficiency	Excess collateral deficiency, if confirmed within 15 business days. Margin, if unconfirmed after 15 business days.	Margin	Regulated entity	Market value deficiency	Market value deficiency, if confirmed within 15 business days. Margin, if unconfirmed after 15 business days.	Margin
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Repealed current rule	Proposed plain language rule			
Rules 100.17(b), (c) and (d)	Other	Margin	Margin	200% of margin (to a maximum of the market value of the underlying securities)
	<p><b>Note:</b> Margin for repo and reverse repo transactions is calculated from the date of <i>regular settlement</i>. "Calendar days" refers to the original term of the <i>repo</i> or <i>reverse repo</i>.</p>			
	<p><b>4609. Margin requirements for cash and securities loan, repurchase, and reverse repurchase transactions with term risk</b></p>			
<p>(1) Despite any requirement in sections 4604 and 4608, if the special conditions for a <i>securities loan</i> or <i>repurchase agreement</i> set out in the chart below are met, the Dealer Member must provide margin as follows for un-hedged and offsetting positions, respectively:</p>				
<b>Un-hedged position</b>				
<b>Position</b>	<b>Special conditions</b>		<b>Margin required</b>	
<i>Securities loan, repurchase agreement, or reverse repurchase agreement</i>	<ul style="list-style-type: none"> <li>▪ the obligation to repurchase, resell or terminate the loan is outstanding for more than five business days;</li> <li>▪ the date of repurchase, resale, or termination of a loan is decided at the time of entering into the transaction;</li> <li>▪ the amount of any compensation, price differential, fee, commission, or other financing charge to be paid in connection with the repurchase, resale, or loan is calculated according to a <i>fixed rate</i>; and</li> <li>▪ the dealer member must perform the calculations daily and make full provision for any principal and return of capital then payable, and for all accrued interest, dividends, or other distributions on securities used as collateral.</li> </ul>		Calculate margin required according to the requirements in sections 5310 and 5311	

Repealed current rule	Proposed plain language rule												
	<table border="1"> <thead> <tr> <th colspan="3" data-bbox="618 296 1484 338">Offsetting positions</th> </tr> <tr> <th data-bbox="618 338 854 415">Offsetting positions</th> <th data-bbox="854 338 1247 415">Special conditions</th> <th data-bbox="1247 338 1484 415">Margin required</th> </tr> </thead> <tbody> <tr> <td data-bbox="618 415 854 688"> <i>Securities loan versus securities loan</i>  <b>or</b>  <i>Repurchase agreement versus reverse repurchase agreement</i> </td> <td data-bbox="854 415 1247 688"> <ul style="list-style-type: none"> <li>▪ the date of repurchase, resale, or termination of a loan <b>is more than one year</b> away for each of the offsetting positions; and</li> <li>▪ the offsetting positions are in the same maturity band for margin purposes and are denominated in the same currency;</li> </ul> </td> <td data-bbox="1247 415 1484 688">                     Calculate margin required based on the net market value of the two positions                 </td> </tr> <tr> <td data-bbox="618 688 854 932"> <i>Securities loan versus securities loan</i>  <b>or</b>  <i>Repurchase agreement versus reverse repurchase agreement</i> </td> <td data-bbox="854 688 1247 932"> <ul style="list-style-type: none"> <li>▪ the date of repurchase, resale, or termination of a loan <b>is within one year</b> away for each of the offsetting positions;</li> </ul> </td> <td data-bbox="1247 688 1484 932">                     Margin required is the difference between the normal margin required on the two positions                 </td> </tr> </tbody> </table>	Offsetting positions			Offsetting positions	Special conditions	Margin required	<i>Securities loan versus securities loan</i> <b>or</b> <i>Repurchase agreement versus reverse repurchase agreement</i>	<ul style="list-style-type: none"> <li>▪ the date of repurchase, resale, or termination of a loan <b>is more than one year</b> away for each of the offsetting positions; and</li> <li>▪ the offsetting positions are in the same maturity band for margin purposes and are denominated in the same currency;</li> </ul>	Calculate margin required based on the net market value of the two positions	<i>Securities loan versus securities loan</i> <b>or</b> <i>Repurchase agreement versus reverse repurchase agreement</i>	<ul style="list-style-type: none"> <li>▪ the date of repurchase, resale, or termination of a loan <b>is within one year</b> away for each of the offsetting positions;</li> </ul>	Margin required is the difference between the normal margin required on the two positions
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New	4610. - 4699. - Reserved												

Repealed current rule	Proposed plain language rule
<p>New</p> <p>New</p>	<p style="text-align: center;"><b>Rules 4700 and 4800 - Operations</b></p> <p><b>4701. Introduction</b></p> <p>(1) Rules 4700 and 4800 set out the following requirements relating to Dealer Member operations:</p> <p>(i) Business continuity plan <i>[Part A, Sections 4710 through 4714];</i></p> <p>(ii) Trading and delivery standards including:</p> <p>(a) General <i>[Part B.1, Sections 4751 through 4758];</i></p> <p>(b) Fixed income <i>[Part B.2, Sections 4759 through 4762];</i></p> <p>(c) Stocks <i>[Part B.3, Sections 4763 through 4765];</i> and</p> <p>(d) Buy-ins <i>[Part B.4, Section 4766];</i></p> <p>and</p> <p>(iii) Account transfers <i>[Part C, Sections 4800 through 4815].</i></p> <p><b>4702. - 4709. - Reserved</b></p>
<p>New</p> <p>New</p> <p>Rule 17.16, 1<sup>st</sup> sentence, 1<sup>st</sup> clause</p> <p>Rule 17.16, 1<sup>st</sup> sentence, 2<sup>nd</sup> clause and 2<sup>nd</sup> sentence</p>	<p><b>Part A - Business continuity plan</b></p> <p><b>4710. Introduction</b></p> <p>(1) To manage risk prudently and maintain investor confidence, <i>Dealer Members</i> must ensure they can continue to carry on business after a significant disruption and provide clients with prompt access to their assets.</p> <p><b>4711. Creating a business continuity plan</b></p> <p>(1) A <i>Dealer Member</i> must establish and maintain a business continuity plan.</p> <p><b>4712. Business continuity plan procedures</b></p> <p>(1) A <i>Dealer Member's</i> business continuity plan must identify the procedures it will take to deal with a significant business disruption.</p> <p>(2) The procedures in subsection (1) must be based on the <i>Dealer Member's</i> assessment of its key business functions and required levels of operation during and following a disruption.</p> <p>(3) The procedures in (1) must be designed to ensure the <i>Dealer Member</i> stays in business long enough to meet its obligations to its clients and capital markets counterparties after a significant business disruption.</p>



Repealed current rule	Proposed plain language rule
	<p>similar system approved by the <i>Corporation</i>. A list of approved acceptable trade matching utilities is updated and published as a notice by the <i>Corporation</i>.</p> <p>(ii) "<i>Eligible securities</i>" mean securities that are eligible to be deposited in the clearing corporation.</p> <p>(iii) "<i>Participant</i>" means a participant in a clearing corporation's <i>settlement service</i>.</p> <p>(iv) "<i>Qualified Canadian trust company</i>" means a trust company licensed to do business in Canada or a Canadian province with a minimum paid up capital and surplus of \$5,000,000.</p> <p>(v) "<i>Settlement service</i>" means a securities settlement service made available by <i>CDS Clearing and Depository Services Inc.</i></p> <p>(vi) "<i>Recognized securities depository</i>" means <i>CDS Clearing and Depository Services Inc.</i></p> <p>(vii) "<i>Depository eligible transactions</i>" means transactions in securities where the affirmation and settlement can be performed through the facilities or services of a <i>recognized securities depository</i>.</p>
Rules 800.30B and 800.30C, 2 <sup>nd</sup> sentence and one new provision	<p><b>4752. Use of a clearing corporation</b></p> <p>(1) <i>Dealer Members</i> who are participants in the same clearing corporation must use the clearing corporation's settlement service to settle all trades between themselves involving eligible securities, unless both the delivering <i>Dealer Member</i> and the receiving <i>Dealer Member</i> agree otherwise.</p> <p>(2) If a <i>Dealer Member</i> is using a clearing corporation to settle a trade, it must report and settle the trade in accordance with Part B.1 of Rule 4700 and the clearing corporation's rules and procedures.</p> <p>(3) If a <i>Dealer Member</i> is not using a clearing corporation to settle a trade, it must use Parts B.1, B.2, B.3, and B.4 of Rule 4700.</p>
Rule 800.49, 1 <sup>st</sup> sentence	<p><b>4753. Use of a trade matching utility</b></p> <p>(1) For each non-exchange trade, involving <i>CDS eligible securities</i>, executed by a <i>Dealer Member</i> with another <i>Dealer Member</i>, each <i>Dealer Member</i> within one hour of executing the trade must:</p> <p>(i) Enter the trade into an <i>acceptable trade matching utility</i>; or</p> <p>(ii) Accept or reject any trade entered into an <i>acceptable trade matching utility</i> by another <i>Dealer Member</i>.</p>
Rules 800.31(a) and (c)	<p><b>4754. Payment or delivery through client settlement agent</b></p> <p>(1) For any arrangement where the payment of securities purchased or delivery of securities sold is to be made to or through a client's settlement agent, all of the following procedures must be followed:</p> <p>(i) The <i>Dealer Member</i> receives from the client prior to or at the time of accepting the order the name and address of the settlement agent and account number of the client on file with the settlement agent. Where settlement is made through a depository offering an identification number</p>

Repealed current rule	Proposed plain language rule
	<p>system for the clients of settlement agents of the depository, the <i>Dealer Member</i> must have the client identification number prior to or at the time of accepting the order and use the number in the settlement of the trade;</p> <ul style="list-style-type: none"> <li>(ii) Each order accepted from the client is identified as either a delivery or receipt against payment trade;</li> <li>(iii) The <i>Dealer Member</i> provides to the client a confirmation according to Rule 3600, Business Records;</li> <li>(iv) The <i>Dealer Member</i> has obtained an agreement from the client stating that the client will: <ul style="list-style-type: none"> <li>(a) Promptly provide its settlement agent with instructions regarding the transaction following its receipt of the transaction confirmation from the <i>Dealer Member</i>, or the relevant date and information as to each execution from the <i>Dealer Member</i>, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and</li> <li>(b) Ensure that its settlement agent affirms the transaction no later than the next business day after the date of execution of the trade to which the confirmation relates;</li> </ul> </li> <li>(v) The client and its settlement agent must use the facilities or services of a <i>recognized securities depository</i> for the affirmation and settlement of all <i>depository eligible transactions</i> through such facilities or services including book based or certificated settlement. This clause (v) applies only to transactions: <ul style="list-style-type: none"> <li>(a) To be settled in Canada; and</li> <li>(b) Where both the <i>Dealer Member</i> and the settlement agent are not participants in the same recognized securities depository or the same facilities or services of such depository required in respect of the trade.</li> </ul> </li> </ul>
Rule 800.10	<p><b>4755. Early registration of securities</b></p> <ul style="list-style-type: none"> <li>(1) Prior to the receipt of payment, a <i>Dealer Member</i> must not register any security, with the exception of a new issue at take down date, in the name of the customer or his or her nominee. A <i>Dealer Member's</i> absorption of bank or other charges incurred by a customer or his or her nominee for the registration of a security will be considered an infraction of this requirement.</li> <li>(2) After the receipt of payment, a <i>Dealer Member</i> may absorb transfer fees incurred in the transfer of a security according to a customer's instructions.</li> </ul>
Rule 800.13	<p><b>4756. Repo and option granting transactions with clients</b></p> <ul style="list-style-type: none"> <li>(1) Before entering into the following transactions a <i>Dealer Member</i> must have in writing all terms relevant to the transaction on the face of the contract or if necessary, on an additional page attached to the contract provided those terms are referred to on the face of the contract, with a client: <ul style="list-style-type: none"> <li>(i) An agreement to purchase or repurchase a security</li> <li>(ii) An agreement to sell or resell a security</li> <li>(iii) The granting of a put, call or similar option involving a security.</li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
Rule 800.47	<p><b>4757. When issued trading</b></p> <p>(1) Unless the parties to the trade agree otherwise or the <i>Corporation</i> provides a separate ruling:</p> <p>(i) All when issued trades made before the second trading day before the anticipated date of issue of the security must be settled on the anticipated date of issue of such security</p> <p>(ii) All when issued trades made on or after the second trading day before the anticipated date of issue of the security must be settled on the third settlement day after the trade date</p> <p>(iii) If the security has not been issued on the settlement date in clause (i) or (ii), such trades must be settled on the date that the security is actually issued.</p>
Rule 800.38	<p><b>4758. Tax payments</b></p> <p>(1) A selling <i>Dealer Member</i> must pay, or certify payment of, taxes required for a buying <i>Dealer Member</i> to transfer the securities purchased to nominee name, except in the situation where there is a register in the buying <i>Dealer Member's</i> province, and the buying <i>Dealer Member</i> chooses to transfer the securities to a register outside that province.</p>
<p>New</p> <p>Rules 800.5, 800.6, 800.7, 800.8, 800.9, 800.16, 800.33(a) and (b), 800.35 and 800.48</p>	<p><b>Part B.2 – Fixed income</b></p> <p><b>4759. Fixed income accrued interest</b></p> <p>(1) All securities having interest payable as a fixed obligation, except securities in sale and repurchase agreement transactions, must be conducted on an accrued interest basis until maturity or a default in such payment either occurs or is announced by the debtor, whichever is the earlier event. The <i>Corporation</i> may set aside this requirement in specific cases where common practice and expediency prompt such action and will give due notice to all <i>Dealer Members</i> in such cases.</p> <p>(2) Prior to actual default or announcement by the debtor as specified in subsection (1), sales made of securities but undelivered at the time of default or such announcement, must be conducted on an accrued interest basis under the terms of the original transaction.</p> <p>(3) Subsequent to default or announcement by the debtor as specified in subsection (1), the securities must be handled on a flat basis with all matured and unpaid coupons attached, until such time as all arrears of interest have been paid and one current coupon has been paid when due.</p> <p>(4) Transactions in bonds having coupons payable out of income, if and when earned, must take place on a flat basis. Any matured and unpaid income coupons must be attached. Income bonds that have been called for redemption must continue to be traded on a flat basis even after the call date has been published.</p> <p>(5) Transactions in bonds where an issuer has been subject to reorganization or capital adjustment that results in the bondholders receiving as a bonus or otherwise, certain stock or scrip, such transactions must be ex stock or scrip, unless otherwise stated at the time the trade is made. Such bonds must be traded on a flat basis until such time as all arrears have been paid and one current coupon has been paid when due, except where the <i>Corporation</i> has determined otherwise.</p>

Repealed current rule	Proposed plain language rule
<p>Rules 800.19, 800.20, 800.21 (a) through (f), 800.22 and 800.23</p>	<p>(6) Accrued interest on trades in interest paying instruments that pay interest monthly and compound interest monthly must be zero, if the value date of the trade is an interest payment date. Otherwise, the accrued interest on such trades must be calculated by multiplying the face amount of the instrument by the interest rate of the instrument and the number of days between the value date of the trade and the last interest payment date prior to the value date of the trade and dividing the result by twelve multiplied by the number of days between the next interest payment date after the value date of the trade and the last interest payment date prior to the value date of the trade.</p> <p>(7) For bonds or debentures that are only available in registered form, transactions made two days before a regular interest payment and up to three days before the closing of the transfer agent's books for the next interest payment, both days inclusive, will be on an "and interest" basis. The full amount of such interest payment must be deducted by the seller after the calculation of interest on the regular delivery basis, unless delivery is completed to the buyer by twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent's books for a regular interest payment.</p> <p>(8) For bonds or debentures that are only available in registered form, transactions from two days before the closing of the transfer agent's books up to and including three days before a regular interest payment must be "less interest" from settlement date to the regular interest payment date.</p> <p>(9) Where interest on a transaction involves an amount greater than that represented by the half-yearly coupon, interest is to be calculated on the basis of the full amount of the coupon less one or two days, as the case may be.</p> <p><b>4760. Fixed income trading units</b></p> <p>(1) This section applies to transactions between <i>Dealer Members</i> in or between certain Districts only and applies as follows:</p> <p>(i) All transactions between <i>Dealer Members</i> in Ontario and Quebec Districts</p> <p>(ii) All transactions between <i>Dealer Members</i> between the Ontario and Quebec Districts</p> <p>(iii) All transactions between <i>Dealer Members</i> between the Ontario District and any other District</p> <p>(iv) All transactions between <i>Dealer Members</i> between the Quebec District and any other District.</p> <p>(2) A <i>Dealer Member</i> calling a market must trade <i>Trading Units</i> (defined in subsection (5)) if called upon to trade, unless prefixed by some qualifying phrase. Any amount less than one <i>Trading Unit</i> will be considered as an odd lot.</p> <p>(3) Any <i>Dealer Member</i> asking the size of a stated market must be prepared to buy or sell at least a <i>Trading Unit</i> at the price quoted if immediately requested to do so by the <i>Dealer Member</i> calling the market.</p> <p>(4) Any <i>Dealer Member</i> who has been requested to call a market has the option to trade an odd lot at the called market (if so requested) or to adjust his market to compensate for the smaller amount involved.</p> <p>(5) <i>Trading Units</i> are defined as follows:</p>

Repealed current rule	Proposed plain language rule
<p>Rules 800.24, 800.25, 800.26, 800.27, 800.28, 800.29, 800.30, 800.32, 800.36 and 800.37</p>	<ul style="list-style-type: none"> <li>(i) Government of Canada <ul style="list-style-type: none"> <li>(a) \$250,000 par value for Government of Canada direct obligations and Government of Canada guaranteed obligations having an unexpired term of less than one year to maturity (or to the earliest call date, where the transaction is completed at a premium)</li> <li>(b) \$100,000 par value for Government of Canada direct obligations and Government of Canada guaranteed obligations having an unexpired term of one year or longer but three years or less to maturity (or to the earliest call date, where the transaction is completed at a premium)</li> <li>(c) \$100,000 par value for Government of Canada direct obligations and Government of Canada guaranteed obligations having an unexpired term to maturity of longer than three years (where the bond is traded at a premium, the earliest call date shall be treated as the maturity date).</li> </ul> </li> <li>(ii) Province of Canada <ul style="list-style-type: none"> <li>(a) \$25,000 par value for bonds, debentures and other obligations of or guaranteed by a province in Canada.</li> </ul> </li> <li>(iii) Other Bonds and Debentures <ul style="list-style-type: none"> <li>(a) \$25,000 par value for bonds and non-convertible debentures (other than Government of Canada direct obligations and Government of Canada guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada) that were not issued with attached stock warrants, rights or other attachments</li> <li>(b) \$5,000 par value for bonds, convertible debentures or debentures (other than Government of Canada direct obligations and Government of Canada guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada) that were issued with attached stock warrants, rights or other appendages.</li> </ul> </li> </ul> <p><b>4761. Fixed income delivery</b></p> <ul style="list-style-type: none"> <li>(1) All trades are to be considered for <i>regular delivery</i> (defined in subsection (3)), unless otherwise agreed to in writing by the parties to a transaction at the time of the transaction.</li> <li>(2) For a deal involving the sale or purchase of more than one maturity, each maturity must be treated as a separate transaction. No contingent (all or none) dealings are permitted.</li> <li>(3) Regular delivery is defined as: <ul style="list-style-type: none"> <li>(i) Government of Canada <ul style="list-style-type: none"> <li>(a) The same day as the transaction date for Government of Canada Treasury Bills</li> <li>(b) The second business day after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds (except Treasury Bills) having an unexpired term to maturity of</li> </ul> </li> </ul> </li> </ul>

Repealed current rule	Proposed plain language rule
	<p>three years or less (or to the earliest call date where a transaction is completed at a premium). Any accrued interest must be stopped on the second business day after the transaction date.</p> <p>(c) The third business day after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date). Any accrued interest must be stopped on the third business day after the transaction date.</p> <p>(ii) Province of Canada</p> <p>(a) The third business day after the transaction date for all provincial bonds or debentures. Any accrued interest must be stopped on the third business day after the transaction date.</p> <p>(iii) Other Bonds and Debentures</p> <p>(a) The third business day after the transaction date for all municipal, corporation and other bonds or debentures (other than Government of Canada and Province of Canada treasury bills, bonds or debentures), other certificates of indebtedness including mortgage-backed securities. Any accrued interest must be stopped on the third business day after the transaction date.</p> <p>(4) New Issues delivery</p> <p>(i) The regular delivery requirements above is not intended to interfere in any way with the common practice of transactions between <i>Dealer Members</i> in new issues during the period of primary distribution on an "accrued interest to delivery" basis. However, the regular delivery requirements will come into effect on the appropriate number of business days prior to the new issue being first available for physical delivery.</p> <p>(ii) Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest must be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made.</p> <p>(iii) For a mortgage-backed security transaction made during a commitment period, delivery must take place on or after the fifteenth calendar day of the month. For the purposes of this clause (iii), "<i>commitment period</i>" means the period from the third business day before month-end to the first business day on or before the eleventh calendar day of the following month, inclusive.</p> <p>(5) Location</p> <p>(i) For any transaction between <i>Dealer Members</i> in the same municipality where physical delivery is to be made, the seller must complete the delivery before 4:30 p.m. on a business day.</p> <p>(ii) For any transaction between <i>Dealer Members</i> in different municipalities, the seller must complete the delivery on the buyer's terms, i.e. delivery is to be made by the seller free of banking and/or shipping charges to the</p>

Repealed current rule	Proposed plain language rule
	<p>buyer. Where bank drafts are drawn to arrive at their destination on a day that is not a business day, the seller is entitled to have charges paid up to the next business after the expected arrival of the bank drafts.</p> <p>(6) Good delivery</p> <p>(i) Securities traded by <i>Dealer Members</i> must be good delivery securities. Therefore, they must be in the proper form so that their titles can be transferred by delivery to the buyer on settlement date. Proper form means the securities have the necessary endorsements, guarantees or both, and meet all legal and regulatory requirements for title transfer. The seller must obtain them and include them with the delivery.</p> <p>(ii) Good delivery securities may consist of bearer bonds or debentures or registered bonds or debentures</p> <p>(iii) For good delivery, securities that can be traded as actual certificates or as certificates of deposit, delivery must be made in the form of actual certificates, unless stated otherwise at the time of the transaction</p> <p>(iv) For good delivery, the bonds or debentures are to be of a maximum denomination of \$100,000 par value, unless agreed to otherwise by the buyer</p> <p>(v) For good delivery, if a Power of Attorney is necessary for the certificates, one Power of Attorney for each certificate is required, unless the buyer has agreed otherwise to accept an amalgamated Power of Attorney</p> <p>(vi) For good delivery, if definitive certificates are not available interim certificates may be used. However, once definitive certificates are available interim certificates may not be used, unless the <i>Dealer Members</i> agree otherwise.</p> <p>(vii) Good delivery securities may consist of the following, provided that it is acceptable to the transfer agent:</p> <p>(a) Bonds or debentures registered in the name of an individual, properly endorsed and with endorsement guaranteed by a <i>Dealer Member</i> in good standing of the <i>Corporation</i> or a <i>recognized stock exchange</i>, or by a chartered bank or <i>qualified Canadian trust company</i></p> <p>(b) Bonds or debentures registered in the name of a <i>Dealer Member</i> or nominee of a <i>Dealer Member</i> and properly endorsed</p> <p>(c) Bonds or debentures registered in the name of a member of a recognized stock exchange and properly endorsed</p> <p>(d) Bonds or debentures registered in the name of a chartered bank or <i>qualified Canadian trust company</i> or the nominee of a chartered bank or qualified trust company and properly endorsed.</p> <p>(7) Not good delivery</p> <p>(i) A mutilated or torn certificate or coupon unless acceptable to the receiving <i>Dealer Member</i></p> <p>(ii) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt</p>

Repealed current rule	Proposed plain language rule
<p>Rule 800.46</p>	<ul style="list-style-type: none"> <li>(iii) A certificate signed by a Trustee or Administrator unless accompanied by sufficient evidence of authority to sign</li> <li>(iv) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate or an amalgamated Power of Attorney if acceptable to receiving broker or dealer)</li> <li>(v) A certificate which has been altered or erased (other than by the Transfer Agent) whether or not such alteration or erasure has been guaranteed</li> <li>(vi) A certificate on which the assignment and/or substitute attorney has been altered or erased</li> <li>(vii) A certificate with the next maturing coupon or subsequent coupons detached unless where so traded or where a certificate cheque (if for \$1,000 or more) payable to the receiving <i>Dealer Member</i>, dated no later than the date of delivery and for the amount of the coupon(s) missing, is attached to the certificate in question</li> <li>(viii) A bond or debenture, registered as to principal only, which after being transferred to Bearer, does not bear the stamp and signature of the Trustee</li> <li>(ix) A registered bond or debenture unless it bears a certificate that provincial tax has been paid where applicable</li> <li>(x) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.</li> </ul> <p>(8) Prior to Notice of Call</p> <ul style="list-style-type: none"> <li>(i) Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, must be completed on the basis of the original transaction. (Date of notice means the date of the notice of call irrespective of the date of publication of such notice.) Called securities do not constitute good delivery unless the transaction is so designated at its inception.</li> <li>(ii) Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice shall be completed on the terms of the original transaction.</li> </ul> <p><b>4762. Fixed income redemption payment</b></p> <ul style="list-style-type: none"> <li>(1) A <i>Dealer Member</i> must not pay to a client regarding any maturity the redemption price or other amount due on redemption of such securities where the price or amount exceeds \$100,000, unless: <ul style="list-style-type: none"> <li>(i) The <i>Dealer Member</i> has first received an amount equal to such price or other amount from the issuer or its agent by cheque certified by or accepted without qualification by a <i>chartered bank</i> or</li> <li>(ii) The <i>Dealer Member</i> has first received or is credited an amount equal to such price or other amount through the facilities of <i>CDS Clearing and Depository Services Inc.</i> or Depository Trust Company.</li> </ul> </li> </ul>



Repealed current rule	Proposed plain language rule
	<p>practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.</p> <p>(b) For transactions between <i>Dealer Members</i> in shares that occur two full business days prior to the record date, the shares must be traded, ex dividend, ex rights, or ex payments.</p> <p>(c) For transactions between <i>Dealer Members</i> in shares that are not ex dividend, ex rights, or ex payments at the time the transaction occurs and delivery is not completed prior to twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent's books, the seller is responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates. For the purposes of this sub-clause (c), where the record date falls on a Saturday or other non-business day, the business day prior to the record date is to be treated as the effective record date.</p> <p>(3) New issues delivery</p> <p>(i) The regular delivery requirements above are not intended to interfere in any way with the common practice of dealing in new issues during the period of primary distribution. However, the regular delivery requirements will come into effect on the appropriate number of business days prior to the new issue being first available for physical delivery.</p> <p>(4) Location</p> <p>(i) For any transaction between <i>Dealer Members</i> in the same Municipality, delivery should be advised by 11:30 a.m. on the fourth business day after a transaction takes place.</p> <p>(ii) For any transaction between <i>Dealer Members</i> located in different municipalities, delivery should be received by the buyer by the expiration of the fourth business day after the transaction takes.</p> <p>(5) Good delivery</p> <p>(i) Securities traded by <i>Dealer Members</i> must be good delivery securities. Therefore, they must be in the proper form so that their titles can be transferred by delivery to the buyer on settlement date. Proper form means the securities have the necessary endorsements, guarantees or both, and meet all legal and regulatory requirements for title transfer. The seller must obtain them and include them with the delivery.</p> <p>(ii) Certificates registered in the name of:</p> <p>(a) An individual, must be endorsed by the registered holder in exactly the same manner as registered and the endorsement guaranteed by a <i>Dealer Member</i> or by a member of a <i>recognized stock exchange</i> or by a <i>chartered bank</i> or <i>qualified Canadian trust company</i>. Where the endorsement does not exactly correspond to the registration shown on the face of the certificate, a certification by a <i>Dealer Member</i>, a member of a <i>recognized stock exchange</i>, a <i>chartered bank</i> or a <i>qualified Canadian trust company</i> that the two signatures are the same person's is required;</p>

Repealed current rule	Proposed plain language rule
	<p>(b) A <i>Dealer Member</i> or a member of a <i>recognized stock exchange</i> or a nominee of either and duly endorsed;</p> <p>(c) A <i>chartered bank</i> or <i>qualified Canadian trust company</i> or the nominee of a <i>chartered bank</i> or <i>qualified Canadian trust company</i> and duly endorsed by a <i>Dealer Member</i>;</p> <p>(d) Any other manner providing it is properly endorsed and the endorsement is guaranteed by a <i>Dealer Member</i> or by a member of a <i>recognized stock exchange</i> or by a <i>chartered bank</i> or <i>qualified Canadian trust company</i>; and</p> <p>(iii) Certificates in board lot denominations (or less) as required by the exchange on which the stock is traded. Unlisted stocks should also be in denominations similar to listed stocks in the same category and price range.</p> <p>(6) Not good delivery</p> <p>(i) A mutilated or torn certificate or coupon unless acceptable to receiving broker or dealer;</p> <p>(ii) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt;</p> <p>(iii) A certificate signed by a Trustee or Administrator unless accompanied by sufficient evidence of authority to sign;</p> <p>(iv) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate or an amalgamated Power of Attorney if acceptable to receiving broker or dealer);</p> <p>(v) A certificate that has been altered or erased (other than by the Transfer Agent) whether or not such alteration or erasure has been guaranteed;</p> <p>(vi) A certificate on which the assignment and/or substitute attorney has been altered or erased;</p> <p>(vii) A registered stock unless it bears a certificate that provincial tax has been paid where applicable;</p> <p>(viii) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.</p> <p>(7) Prior to Notice of Call</p> <p>(i) Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, must be completed on the basis of the original transaction. (Date of notice means the date of the notice of call irrespective of the date of publication of such notice.) Called securities do not constitute good delivery unless the transaction is so designated at its inception.</p> <p>(ii) Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice must be completed on the terms of the original transaction.</p>

Repealed current rule	Proposed plain language rule
<p>Rule 800.45</p> <p>New</p> <p>Rules 800.39, 800.40, 800.41, 800.42, 800.43 and 800.44</p>	<p><b>4765. Stock dividend claims</b></p> <p>(1) No <i>Dealer Member</i> shall make a certificate claim for dividends against another <i>Dealer Member</i> if the amount of such claim would be \$5.00 or less.</p> <p><b>Part B.4 – Buy-ins</b></p> <p><b>4766. Buy-ins</b></p> <p>(1) Buy-ins must be made within the times, using the notices prescribed, and according to the <i>Corporation's</i> requirements. For the purposes of these clauses (i) through (v) a "regular delivery transaction" is deemed to have taken place once the <i>Dealer Members</i> involved have agreed on a price.</p> <p>(i) For transactions between <i>Dealer Members</i> in the same municipality, where the seller does not advise the buyer about the delivery by 11:30 a.m. on the fourth business day after a regular delivery transaction:</p> <p>(a) The buyer may at his or her option buy-in the securities, where the buyer intends to buy-in the securities, the buyer must give written notice to the seller and to the <i>Corporation</i> on that day, or any subsequent business day, prior to 3:30 p.m., of his or her intention to buy-in for cash on the second business day after the original notice.</p> <p>(b) The notice is deemed to automatically renew itself from business day to business day from 11:30 a.m. until closing until the transaction is finally completed.</p> <p>(c) Where the buy-in is not executed on the second business day after the original notice, the seller has the privilege of advising the buyer each subsequent day before 11:30 a.m. of his or her ability, and intention, to make either whole or partial delivery on that day.</p> <p>(ii) For transactions between <i>Dealer Members</i> in different municipalities, where delivery has not been received by the buyer at the expiration of four business days after the transaction takes place, on or after the fourth business day:</p> <p>(a) The buyer may at his or her option buy-in the securities, where the buyer intends to buy-in the securities, the buyer must give written notice to the seller and to the <i>Corporation</i> on that day by 12 p.m. (the seller's time) his or her intention to buy-in for cash on the third business day after the original notice.</p> <p>(b) Where the seller has not advised the buyer in writing by 5 p.m. (the buyer's time) on the day after the original notice that the securities covered by the —buy-in have passed through his or her clearing and are in transit to the buyer, the buyer may proceed to execute the buy-in on the third business day after the original notice.</p> <p>(c) The notice is deemed to automatically renew itself from business day to business day and the seller forfeits all rights to complete delivery other than the portion of the transaction that is in transit by the day following the receipt of the original notice. The buyer may at his or her option allow the seller to complete delivery of any remaining portion of the transaction.</p>

Repealed current rule	Proposed plain language rule
New	<p>(iii) Any <i>Dealer Member</i> who is bought-in may demand evidence that a bona fide transaction has taken place involving the delivery of the bought-in securities. The <i>Dealer Member</i> who is bought-in has the right, to deliver such part of his or her commitment according to clauses (i) and (ii) and must complete any such delivery to the nearest \$1,000 par value, or stock <i>Trading Unit</i>.</p> <p>(iv) The <i>Corporation</i> has the authority to postpone the execution of a buy-in from day to day, and to combine buy-ins in the same security, and to decide any dispute arising from the execution of the buy-in, and its decision is final and binding.</p> <p>(v) When a buy-in has been completed the buyer must submit to the seller a statement of account showing:</p> <p>(a) As credits, the amount originally contracted for as payment for the securities, and</p> <p>(b) As debits, the amount paid on buy-in, the cost of the buyer's communication charges relative to the buy-in, and any bank or shipping charges incurred.</p> <p>Where there is a credit balance remaining, the buyer must pay this amount to the seller, and where there is a debit balance remaining, the seller must pay this amount to the buyer.</p> <p><b>4767. – 4799. – Reserved</b></p>
<p>New</p> <p>New</p> <p>Rule 2300.1</p> <p>Rule 2300.2, 1<sup>st</sup> paragraph, 2<sup>nd</sup> sentence</p>	<p><b>Part C – Account transfers</b></p> <p><b>4800. Introduction</b></p> <p>(1) Part C of Rule 4800 describes the <i>Corporation's</i> requirements for transferring accounts between <i>Dealer Members</i> to ensure these transfers are completed promptly.</p> <p><b>4801. Definitions</b></p> <p>(1) In this Rule:</p> <p>(i) “<i>account transfer</i>” means a client-account transfer, at the request of or with the authority of the client, from one <i>Dealer Member</i> to another <i>Dealer Member</i>.</p> <p>(ii) “<i>delivering Dealer Member</i>” means the <i>Dealer Member</i> from which the client account is being transferred.</p> <p>(iii) “<i>partial account</i>” means less than the total assets and balances in a client account held by a <i>delivering Dealer Member</i>.</p> <p>(iv) “<i>receiving Dealer Member</i>” means the <i>Dealer Member</i> to which the client account is being transferred.</p> <p>(v) “<i>recognized clearing depository</i>” means a <i>Corporation</i>-recognized clearing corporation or depository.</p> <p><b>4802. Transferring a full or partial account</b></p> <p>(1) A <i>Dealer Member</i> transferring a full or <i>partial account</i> must comply with this Rule.</p>

Repealed current rule	Proposed plain language rule
Rule 2300.2, 1 <sup>st</sup> paragraph, 1 <sup>st</sup> sentence	<p><b>4803. Transfer through a <i>recognized depository</i></b></p> <p>(1) Whenever possible, a <i>Dealer Member</i> transferring a client account must transfer that account through a <i>recognized depository</i>.</p>
Rule 2300.2, 2 <sup>nd</sup> and 3 <sup>rd</sup> paragraphs	<p><b>4804. Communications between Dealer Members</b></p> <p>(1) Communications between <i>Dealer Members</i> must take place by electronic delivery through <i>CDS's</i> account transfer facility, unless both <i>Dealer Members</i> agree otherwise.</p> <p>(2) Each <i>Dealer Member</i> must pay its costs for delivering or receiving electronic communications done under Part C of Rule 4800.</p> <p>(3) A <i>Dealer Member</i> must select, implement, and maintain appropriate security measures to protect its electronically delivered communications.</p> <p>(4) Dealer Member acknowledgement and indemnification</p> <p>(i) a <i>Dealer Member</i> acknowledges that an electronically delivered communication it sends will be relied on by the <i>Dealer Member</i> receiving it.</p> <p>(ii) a <i>Dealer Member</i> must indemnify and save harmless other <i>Dealer Members</i> from any claims, losses, damages, liabilities or expenses the other <i>Dealer Members</i> suffer as a result of relying on its unauthorized, inaccurate, or incomplete electronic communication.</p>
Rule 2300.3	<p><b>4805. Receiving Dealer Member - responsibilities for documents</b></p> <p>(1) If a <i>receiving Dealer Member</i> receives a request from a client to accept an account, it must obtain written authorization from the client to transfer the account.</p> <p>(2) After the client gives written authorization to the <i>receiving Dealer Member</i>, the receiving <i>Dealer Member</i> must:</p> <p>(i) promptly send a request for transfer through <i>CDS</i> to the <i>delivering Dealer Member</i>, and</p> <p>(ii) keep the original written account transfer authorization form on file.</p> <p>(3) The <i>receiving Dealer Member</i> must ensure that the forms or documents required to transfer accounts are completed and available on the same day as the request for transfer is delivered.</p>
Rule 2300.4	<p><b>4806. Delivering Dealer Member - response to request for transfer</b></p> <p>(1) When it receives the request for transfer, the <i>delivering Dealer Member</i> must either:</p> <p>(i) deliver to the <i>receiving Dealer Member</i>, by the specified return date, the asset list for the client account being transferred; or</p> <p>(ii) reject the request for transfer if the client account information is unknown to the <i>delivering Dealer Member</i> or is incomplete or incorrect.</p> <p>(2) The return date in clause (1)(i) must be no later than two clearing days after the date of receipt of the request for transfer from the <i>delivering Dealer Member</i>.</p>

Repealed current rule	Proposed plain language rule
Rule 2300.5	<p><b>4807. Asset transfer</b></p> <p>(1) Within one clearing day after the specified return date the <i>delivering Dealer Member</i> must commence, or cause <i>CDS's</i> account transfer facility to implement automatically, the transfer of the assets through <i>CDS</i>.</p> <p>(2) Any assets that cannot be transferred through a <i>recognized depository</i> must be settled:</p> <ul style="list-style-type: none"> <li>(i) over the counter;</li> <li>(ii) by other standard industry practices; or</li> <li>(iii) by other appropriate means agreed between the <i>receiving Dealer Member</i> and the <i>delivering Dealer Member</i>.</li> </ul> <p>The time limits in subsection (1) apply.</p>
Rule 2300.4	<p><b>4808. Transfer impediment</b></p> <p>(1) If there is an impediment to the requested transfer of an account asset, the <i>delivering Dealer Member</i> must promptly notify the <i>receiving Dealer Member</i>, identifying the asset and the reason for the inability to deliver.</p> <p>(2) The <i>receiving Dealer Member</i> must get client instructions or directions concerning the asset, and deliver them to the <i>delivering Dealer Member</i></p> <p>(3) The balance of the client's assets must be transferred according to this Rule.</p>
Rule 2300.6	<p><b>4809. Failure to settle</b></p> <p>(1) If the <i>delivering Dealer Member</i> fails to settle an asset transfer in a client account within 10 clearing days of receipt of the request for transfer, the <i>receiving Dealer Member</i> may complete the account transfer, at its option, by:</p> <ul style="list-style-type: none"> <li>(i) buying-in the unsettled position in accordance with section 4767;</li> <li>(ii) lending the security to the <i>delivering Dealer Member</i> through a <i>recognized depository</i> and simultaneously transferring the same security into the client account; or</li> <li>(iii) making other mutually agreed arrangements with the <i>delivering Dealer Member</i> so that the <i>account transfer</i> can be considered completed.</li> </ul> <p>(2) Any loan in clause (1)(ii) must be marked to market and the assets will be considered delivered to the <i>receiving Dealer Member</i> to settle the account transfer.</p>
Rule 2300.7	<p><b>4810. Non-certificated mutual funds</b></p> <p>(1) Non-certificated mutual fund securities are considered transferred when the <i>delivering Dealer Member</i> delivers to the <i>receiving Dealer Member</i>:</p> <ul style="list-style-type: none"> <li>(i) a completed mutual fund transfer form; and</li> <li>(ii) a completed and signed power of attorney; or</li> <li>(iii) by entry of transfer instructions in the electronic account transfer facility of FundSERV Inc.</li> </ul>

Repealed current rule	Proposed plain language rule
Rule 2300.8	<p><b>4811. Interest or dividend receipt balances</b></p> <p>(1) Interest or dividend receivable balances must be settled promptly between a <i>delivering Dealer Member</i> and <i>receiving Dealer Member</i>. Despite any failure to settle these balances, a <i>Dealer Member</i> must comply with the <i>account transfer</i> procedures in Part C of Rule 4800.</p>
Rule 2300.5, 2 <sup>nd</sup> paragraph	<p><b>4812. Margin</b></p> <p>(1) A <i>Dealer Member</i> must not accept an <i>account transfer</i> from another <i>Dealer Member</i> if the account has a margin deficiency.</p> <p>(2) Subsection (1) does not apply if at the <i>account transfer</i> time the <i>receiving Dealer Member</i> has sufficient funds or collateral to the client's credit available to cover the account's margin deficiency.</p>
Rule 2300.9	<p><b>4813. Responsibility for margining account</b></p> <p>(1) The <i>receiving Dealer Member</i> must assume the responsibility for margining all assets and money balances relating to the transferred account at the earlier of:</p> <p>(i) the date that the transfer of all assets and money balances is completed; and</p> <p>(ii) 20 clearing days after receipt by the <i>delivering Dealer Member</i> of the request for transfer.</p>
Rule 2300.10	<p><b>4814. Fees and charges</b></p> <p>(1) Before or at the time of <i>account transfer</i>, a <i>delivering Dealer Member</i> may deduct any fee or charge on the account in accordance with the <i>delivering Dealer Member's</i> current published fee and charge schedule.</p>
Rule 2300.11	<p><b>4815. Corporation exemption</b></p> <p>(1) The <i>Corporation</i> may exempt a <i>Dealer Member</i> from the requirements of this Rule 4800 if the <i>Corporation</i> is satisfied that to do so would not prejudice the interests of the <i>Dealer Member</i>, its clients, or the public.</p> <p>(2) In granting an exemption under subsection (1), the <i>Corporation</i> may impose any terms and conditions it considers necessary.</p>
New	<b>4816. – 4899. – Reserved.</b>

Repealed current rule	Proposed plain language rule
<p>New</p> <p>New</p> <p>New</p>	<p style="text-align: center;"><b>Rule 4900 – Other Internal Control Requirements</b></p> <p><b>4901. Introduction</b></p> <p>(1) Rule 4900 sets out the following internal control requirements:</p> <p>(i) Derivative risk management <i>[Part A, Sections 4910 through 4914];</i></p> <p><b>4902. - 4909. - Reserved</b></p>
<p>New</p> <p>New</p> <p>Rule 2600, Statement 8 – Control Objective and Minimum required firm policies and procedures (4)(i)</p> <p>Rule 2600, Statement 8 - Minimum required firm policies and procedures (1)</p> <p>Rule 2600, Statement 8 - Minimum required firm policies and procedures (2)</p>	<p><b>Part A – Derivative risk management</b></p> <p><b>4910. Introduction</b></p> <p>(1) A Dealer Member must have an independent risk management function to:</p> <p>(i) manage the risks resulting from its use of derivatives which include exchange and over-the-counter traded derivatives,</p> <p>(ii) ensure that the level of management that reports to the board (referred to as “senior management”) understands all risks, and</p> <p>(iii) ensure that its risk adjusted capital is calculated properly.</p> <p><b>4911. Risk management process</b></p> <p>(1) A Dealer Member must have a risk management function with clear independence and authority to ensure risk limit policies are developed and transactions and positions are monitored for adherence to these policies.</p> <p>(2) A Dealer Member must have a risk management process to identify, measure, manage, and monitor risks associated with the use of derivatives.</p> <p>(3) The risk management process has two parts:</p> <p>(i) Management must be knowledgeable of the nature and risks of all derivative products used in treasury, proprietary, institutional and retail activities; and</p> <p>(ii) The Dealer Member must create written policies and procedures that clearly outline risk management guidance for derivatives activities.</p> <p>(4) A Dealer Member’s financial accounting department must measure the Dealer Member’s revenue components regularly and in sufficient detail to understand risk sources.</p> <p><b>4912. Role of board of directors</b></p> <p>(1) A Dealer Member’s board of directors or equivalent management level must approve all significant risk management policies to ensure they are consistent with the Dealer Member’s overall broader business strategies and appropriate for market conditions.</p> <p>(2) Senior management must report at least annually to the Dealer Member’s board on a Dealer Member’s risk exposure.</p> <p><b>4913. Role of senior management</b></p> <p>(1) A Dealer Member’s senior management must ensure that for derivative products:</p>

Repealed current rule	Proposed plain language rule
<p>Rule 2600, Statement 8 - Minimum required firm policies and procedures (3)</p> <p>New</p>	<ul style="list-style-type: none"> <li>(i) there are adequate written policies and procedures for processing, trading, monitoring and reporting cycles including:                             <ul style="list-style-type: none"> <li>(a) clear responsibility lines for risk management;</li> <li>(b) an adequate system for measuring risk;</li> <li>(c) appropriate risk position limits;</li> <li>(d) effective internal controls; and</li> <li>(e) a comprehensive reporting process;</li> </ul> </li> <li>(ii) if risk position limits are exceeded, there is a system to ensure that these excesses are approved only by authorized personnel and communicated to senior management;</li> <li>(iii) all appropriate approvals are obtained and adequate operational procedures and risk control systems are in place;</li> <li>(iv) appropriate risk control systems address market, credit, legal, operational, and liquidity risks;</li> <li>(v) derivatives activities are undertaken by a sufficient number of professionals with appropriate experience, skill levels, and certification;</li> <li>(vi) risk management procedures are regularly evaluated for appropriateness and soundness;</li> <li>(vii) it approves all standard and non-standard derivative product programs; and</li> <li>(viii) there is an accurate, complete, informative, and timely management information system.</li> <li>(ix) the risk management function monitors and reports risk metrics to appropriate senior management and to the Dealer Member's board of directors or equivalent management level.</li> </ul> <p><b>4914. Pricing</b></p> <ul style="list-style-type: none"> <li>(1) In addition to Rule 4690's requirements, "Pricing Securities", a Dealer Member must comply with the requirements below in pricing derivatives.</li> <li>(2) Derivatives positions must be marked to market at least daily.</li> <li>(3) A Dealer Member's independent risk management function must:                             <ul style="list-style-type: none"> <li>(i) validate all pricing models, including computing market data or model inputs;</li> <li>(ii) review and approve pricing models and valuation systems used by front- and back-office personnel; and</li> <li>(iii) review and approve reconciliation procedures if different systems are used.</li> </ul> </li> <li>(4) Valuations derived from models must be independently reviewed at least monthly.</li> </ul> <p><b>4915. – 4999. – Reserved.</b></p>

**GUIDANCE NOTE 4150-1**  
**CICA ACCOUNTING STANDARDS FOR FINANCIAL INSTRUMENTS**  
[\[LINK Section 4151\]](#)

This Guidance Note 4150-1 helps Dealer Members apply Canadian Institute of Chartered Accountants (CICA) accounting standards for *financial instruments*. A Dealer Member or its auditor must apply these standards when preparing the financial filings required by Section 4151. Under the CICA accounting standards, a Dealer Member must identify all of its *financial instruments* to ensure the terms and conditions of financial and non-financial contracts are understood, appropriately classified, and documented. The financial instrument classification worksheet is attached to this Guidance Note at Appendix A.

A Dealer Member must classify each financial and non-financial contract into one of five categories in its internal accounting policies. For each of the categories, the CICA accounting standards also prescribe measurement methods for assets and obligations, and methods of income recognition for *financial instruments*. For further information on these CICA standards and definitions, a Dealer Member should review the CICA Handbook (HB).

Although Guidance Note 4150-1 gives guidance for a Dealer Member, it does not cover everything in the CICA accounting standards. For example, it does not cover accounting treatment for securities with embedded options and non-financial instruments with embedded options. Consequently, a *Dealer Member's auditor* can provide professional accounting advice to the Dealer Member on such matters.

## APPENDIX A

## CICA Section 3855 - Financial Instruments Classification Work Sheet for Dealer Members

Form 1 – Statement A  
STATEMENT OF ASSETS

Reference	Categories	Initial measurement	Subsequent measurement	Gains and losses (Note 4)	
<b>LIQUID ASSETS:</b>					
1	Cash on deposit with Acceptable Institutions	Held for trading	FMV	FMV	P&L
2	Funds deposited in trust for RRSP and other similar accounts	Held for trading	FMV	FMV	NA
3. Stmt. D	Cash, held in trust with Acceptable Institutions, due to free credit ratio calculation	Held for trading	FMV	FMV	NA
4	Variable base deposits and margin deposits with Acceptable Clearing Corporations <i>[cash balances only]</i>	Held for trading	FMV	FMV	P&L
5	Margin deposits with Regulated Entities <i>[cash balances only]</i>	Held for trading	FMV	FMV	P&L
6. Sch.1	Loans receivable, securities borrowed and resold	Held for trading	FMV	FMV <sup>1</sup>	P&L
7. Sch.2	Securities owned – at market value	Held for trading	FMV	FMV	P&L
	Securities owned – not reliably measurable	Available for sale	FMV	Cost	P&L
8. Sch.2	Securities owned and segregated due to free credit ratio calculation	Held for trading	FMV	FMV	P&L
9	Syndicate and joint trading accounts	Held for trading	FMV	FMV	P&L
10. Sch.4	Clients' accounts	Receivable	FMV	Amortized cost	P&L
11. Sch.5	Brokers and dealers trading balances	Receivable	FMV	Amortized cost	P&L
12	Receivable from carrying broker or mutual fund	Receivable	FMV	Amortized cost	P&L
13	<b>TOTAL LIQUID ASSETS</b>				
<b>OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS):</b>					
14. Sch.6	Recoverable and overpaid income taxes	Scope exception	-	- <sup>2</sup>	
15	Recoverable and overpaid taxes	Scope exception	-	- <sup>3</sup>	

<sup>1</sup> Default regulatory option<sup>2</sup> CICA HB Section 2465<sup>3</sup> CICA HB Section 3465

**SROs, Marketplaces and Clearing Agencies**

Reference	Categories	Initial measurement	Subsequent measurement	Gains and losses (Note 4)	
16	Commissions and fees receivable	Receivable	FMV	Amortized cost	P&L
17	Interest and dividends receivable	Receivable	FMV	Amortized cost	P&L
18	Other receivables <i>[attach details]</i>	Receivable	FMV	Amortized cost	P&L
19	TOTAL OTHER ALLOWABLE ASSETS				
<b>NON ALLOWABLE ASSETS</b>					
20	Other deposits with Acceptable Clearing Corporations <i>[cash or market value of securities lodged]</i>	Held for trading	FMV	FMV	P&L
21	Deposits and other balances with non-acceptable clearing corporation <i>[cash or market value of securities lodged]</i>	Held for trading	FMV	FMV	P&L
22	Commissions and fees receivable	Receivable	FMV	Amortized cost	P&L
23	Interest and dividends receivable	Receivable	FMV	Amortized cost	P&L
24	Fixed assets – at depreciated value	Scope exception	-	-	
25	Stock exchange seats (for Bourse shares)	GAAP departure	Cost	Cost	P&L
26	Capitalized leases	Scope exception	-	-	-
27	Investments in subsidiaries and affiliates	GAAP departure	Cost or equity method	Cost or equity method	Note 2
	Advances to subsidiaries and affiliates	Receivable	FMV	Amortized cost	
28	Other assets <i>[attach details]</i>				P&L
	Prepaid expenses	Scope exception	-	<sup>4</sup>	
	Future tax assets (FTA)	Scope exception	-	<sup>5</sup>	
	Cash surrender value of life insurance	Receivable	FMV	Amortized cost	-
	Intangibles	Scope exception	-	<sup>6</sup>	P&L
	Deferred charges	Scope exception	-	<sup>7</sup>	-
	Advances to employees	Receivable	FMV	Amortized cost	-
	Other receivables from other than Acceptable Institutions	Receivable	FMV	Amortized cost	P&L

<sup>4</sup> CICA HB Section 3040

<sup>5</sup> CICA HB Section 3465

<sup>6</sup> CICA HB Section 2063

<sup>7</sup> CICA HB Section 1510

**SROs, Marketplaces and Clearing Agencies**

Reference	Categories	Initial measurement	Subsequent measurement	Gains and losses (Note 4)	
	Cash on deposit with non- Acceptable Institutions	Held for trading	FMV	FMV	P&L
29	TOTAL NON ALLOWABLE ASSETS				
30	TOTAL ASSETS	\$	\$	\$	

**STATEMENT OF LIABILITIES AND SHAREHOLDER/PARTNER CAPITAL**

Reference	Categories	Initial measurement	Subsequent measurement	Gains and losses (Note 4)	
<b>CURRENT LIABILITIES:</b>					
51. Sch.7	Overdrafts, loans, securities loaned and repurchases	Held for Trading	FMV	FMV <sup>8</sup>	P&L
52. Sch.2	Securities sold short – at market value	Held for Trading	FMV	FMV	P&L
	Securities sold short – not reliably measurable	Available for Sale	FMV	Cost	P&L
53	Syndicate and joint trading accounts	Held for Trading	FMV	FMV	P&L
54. Sch.4	Clients' accounts	Other Financial Liability	FMV	Amortized Cost	P&L
55. Sch.5	Brokers and dealers	Other Financial Liability	FMV	Amortized Cost	P&L
56. Sch.6	Income taxes payable	Scope Exception	-	_ <sup>9</sup>	
57. Sch.6	Future Tax Liabilities – current portion	Scope Exception	-	_ <sup>10</sup>	
58	Bonuses payable	Other Financial Liability	FMV	Amortized Cost	P&L
59	Accounts payable and accrued expenses	Other Financial Liability	FMV	Amortized Cost	P&L
60	Capital leases and lease-related liabilities – current portion	Scope Exception	-	_ <sup>11</sup>	-
61	Other current liabilities <i>[attach details]</i>				
	Unclaimed dividends and interest	Other Financial Liability	FMV	Amortized Cost	P&L
	Due to carrying broker	Other Financial Liability	FMV	Amortized Cost	P&L
	Corporate finance liabilities	Other Financial Liability	FMV	Amortized Cost	P&L
	Principal and agent liabilities	Other Financial	FMV	Amortized Cost	P&L

<sup>8</sup> Default regulatory option

<sup>9</sup> CICA HB Section 3465

<sup>10</sup> CICA HB Section 3465

<sup>11</sup> CICA HB Section 3065

**SROs, Marketplaces and Clearing Agencies**

Reference	Categories	Initial measurement	Subsequent measurement	Gains and losses (Note 4)
	Liability			
62	TOTAL CURRENT LIABILITIES			
<b>LONG TERM LIABILITIES</b>				
63. Sch.6	Non-current future tax liability	Scope Exception	-	_12
64	Non-current portion of capitalized leases and lease-related liabilities	Scope Exception	-	_13
65	Other long-term liabilities <i>[attach details]</i>	Other Financial Liability	FMV	Amortized Cost
66	TOTAL LONG-TERM LIABILITIES			P&L
67	TOTAL LIABILITIES <i>[line 62 plus line 66]</i>			
<b>FINANCIAL STATEMENT CAPITAL:</b>				
68	Non-current portion of capitalized leases qualifying as capital <i>[see note]</i>	Line item not applicable	-	-
69. G-6	Subordinated loans – approved non-industry investors	GAAP departure	-	Note 1
70. G-6	Subordinated loans – industry investors	GAAP departure	-	Note 1
71. F-A-3	Capital	Scope Exception	-	_14
72. F-C-3	Retained earnings or undivided profits	GAAP departure	-	Note 1
73	TOTAL FINANCIAL STATEMENT CAPITAL			Note 3
74	TOTAL LIABILITIES AND CAPITAL		\$	\$

**Notes**

- Note 1: Default regulatory requirement – GAAP departure which requires disclosed basis of accounting policy in note 2 of the financial statements.
- Note 2: Accounting for equity pick-up or the unrealized gain or loss on the foreign exchange translation of self-sustaining subsidiaries.
- Note 3: In reference to GAAP departure relating to equity pick-up or self-sustaining foreign entity translation to be reported on Statement E, Line 30 and Statement F line C2(c).
- Note 4: Timing for items denoted as P&L are as follows: a) immediately for HFT; b) immediately for impairments on AFS, or else when realized; c) immediately for impairments and foreign translation on L&R and Other Liabilities, or else when realized.

<sup>12</sup> CICA HB Section 3465

<sup>13</sup> CICA HB Section 3065

<sup>14</sup> CICA HB Section 3420

**INSTRUCTION 4150-1**  
**REGULATORY FINANCIAL REPORT FILING REQUIREMENTS**  
 [LINK Sections 4151 and 4153]

The following instructions apply to Dealer Member *MFR* and audited *Form 1* filings.

Questions on filings	Document to file	
	Monthly Financial Report (MFR)	Audited Form 1
1. How often must it be filed?	Monthly, as at the end of each calendar month, unless otherwise agreed by the IIROC and the Dealer Member	Annually, as at fiscal year end, unless otherwise agreed by the IIROC and the Dealer Member
2. How must it be filed?	Electronically	Electronically and hard copy
3. When must it be filed?	Within 20 business days of the end of the month	Within 7 weeks of the audit date
4. What must it contain?	Statements A, B, C, D, and E  Schedules 2, 4 (only margin account balance items 3.a and 3.d), 10, 13, 13A, 14 and 15 of <i>Form 1</i>	<i>Form 1</i>
5. Who must sign it?	CEO and CFO	Certificate of Partners or Directors ( <i>Form 1</i> ) <ul style="list-style-type: none"> <li>- CEO/Partner</li> <li>- CFO</li> <li>- Chief accountant</li> <li>- At least 2 other directors or partners who are not the above</li> </ul> Auditors' Report ( <i>Form 1</i> ) - Dealer Member's auditor
6. How is it signed and filed?	The CFO, using SIRFF, files it electronically with IIROC.  Signed paper copy kept on file at Dealer Member's office.	The CFO, using SIRFF, files it electronically with the Dealer Member's auditor.  The <i>Dealer Member's auditor</i> , using SIRFF and hand delivery, files it electronically and in paper copy form (2 copies) with the IIROC.  Signed paper copy kept on file at Dealer Member's office
7. How long must paper copies be kept on file?	6 years, with the 3 most recent readily available for IIROC review.	6 years, with the 2 most recent readily available for IIROC review along with the related working papers.
8. What happens if filing is late?	A fee of \$100/day is assessed, based on the date of the SIRFF filing	A fee of \$250/day is assessed based on the later of the date of the SIRFF filing and the paper copy filing.

**GUIDANCE NOTE 4310-1**  
**SEGREGATION - INDICATIONS THAT INTERNAL CONTROL IS NOT ADEQUATE**

This Guidance Note supplements Rule 4300, Part A, Sections 4327 through 4331, which set out minimum required internal control policies and procedures related to segregation. The following may indicate weak or inadequate internal controls for segregated securities.

**1. Insufficient attention to preventing violations**

A *Dealer Member* pays insufficient attention to preventing violations of legal and regulatory requirements for *segregated securities*, including preventing the hypothecation of *segregated securities*.  
[Rule 2600, Statement 4, Indications that Internal Control is not Adequate, 1<sup>st</sup> bullet point]

**2. Ill-informed staff**

Dealer Member's staff persons responsible for segregation procedures are ill-informed of their duties or insufficiently trained.  
[Rule 2600, Statement 4, Indications that Internal Control is not Adequate, 2<sup>nd</sup> bullet point]

**3. No testing of report reliability**

A Dealer Member takes no steps to establish the reliability of *segregation reports* produced by its service bureau.  
[Rule 2600, Statement 4, Indications that Internal Control is not Adequate, 3<sup>rd</sup> bullet point]

**4. Persistent segregation deficiencies**

A Dealer Member's management does not give proper attention to segregation deficiencies that persist for an extended period of time.  
[Rule 2600, Statement 4, Indications that Internal Control is not Adequate, 4<sup>th</sup> bullet point]

**5. Custodians are not acceptable securities locations**

A Dealer Member holds securities at locations that do not meet the criteria of an *acceptable securities location* either in general or because there is no written custodial agreement with the custodians that would otherwise meet the criteria of an acceptable securities location.  
[Rule 2600, Statement 4, Indications that Internal Control is not Adequate, 5<sup>th</sup> bullet point]

**GUIDANCE NOTE 4340-1  
SECURITIES HELD IN CUSTODY –  
SECURITIES HELD IN A FOREIGN JURISDICTION**

This Guidance Note includes the following forms:

- (1) Foreign Custodian Questionnaire and Certificate as Appendix 1;
- (2) Client Consent and Waiver as Appendix 2.

This Guidance Note provides guidance on:

- (1) the Dealer Member's approval of foreign institutions or securities dealers as acceptable securities locations under section 4348;
- (2) the format of the client waiver that may be obtained under section 4351; and
- (3) the Dealer Member's year-end audit requirements for securities held with foreign institutions or securities dealers as acceptable securities locations or for securities held in securities locations where client waivers have been obtained under section 4351.

**Approval of foreign institutions or securities dealers as acceptable securities locations** [[LINK: Rule 4300, Part B, Sections 4343 through 4351](#)]

A Dealer Member must hold securities that are not under its control or physical possession at prescribed *acceptable external securities locations*. A foreign institution or securities dealer may be an *acceptable external securities location* if it meets the applicable criteria and is approved by the Corporation as an acceptable securities location. To obtain the Corporation's approval of a foreign institution or securities dealer as an acceptable securities location, a Dealer Member must: perform due diligence; approve the foreign institution or securities dealer as an *acceptable external securities location*; and complete a certificate in the form prescribed in Appendix 1 evidencing its due diligence and approval.

**Format of the client waiver** [[LINK: Rule 4300, Part B, Section 4351](#)]

In some foreign jurisdictions, it may not be possible for a Dealer Member to hold securities in an *acceptable external securities location*. In these cases, the Dealer Member must obtain a waiver from the client under section 4351.

If a Dealer Member holds securities in a foreign jurisdiction that does not meet the criteria of an *acceptable external securities location* specified in the *Corporation's requirements*, and the Dealer Member has not obtained a client waiver, then these securities are considered to be held at a non-acceptable securities location. [*IDA Member Regulation Notice MR0033*]

Appendix 2 is a client consent and waiver form that may be used if a client agrees to waive the requirement for a Dealer Member to hold securities at an *acceptable external securities location*. [*IDA Member Regulation Notice MR0033, Q.4*]

**Year-end audit requirements**

**Annual evidence of Dealer Member's approval of location**

See requirements for "Annual approval of foreign institutions or securities dealers as acceptable securities locations in section 4350.

**Positive confirmation of security positions**

During the course of an annual audit, a *Dealer Member's auditor* must obtain 100% positive confirmation of all the Dealer Member's *security positions* as at year-end [[LINK Rule 4100, Part D, Clause 4182\(1\)\(ii\)](#)]. This includes positions held at:

- (a) foreign institutions or securities dealers as acceptable securities locations approved by the Dealer Member; and
- (b) securities locations where clients have provided a waiver for their securities under section 4351.

A Dealer Member must advise its clients of any securities held under a client waiver that are unconfirmed.

**Form 1 filings**

For year-end *Form 1* filings, a Dealer Member must provide as supplementary disclosure to the Corporation:

- (a) a list of approved foreign institutions or securities dealers as acceptable securities locations where its securities are held;
- (b) the market value of securities held at those locations;
- (c) a list of those locations where the Dealer Member's auditor has not obtained a positive confirmation at the time of filing;  
and
- (d) the amount of capital provided for the positions in (c).

*[IDA Member Regulation Notice MR0033, Q.5]*

**FOREIGN CUSTODIAN QUESTIONNAIRE AND CERTIFICATE**

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(Dealer Member Name) ("Dealer Member")

On behalf of the Board of Directors or duly constituted committee thereof, we certify that the following information is true and correct and after considering the criteria in this certificate have approved \_\_\_\_\_ ("custodian") located in \_\_\_\_\_ (country) as custodian of the Dealer Member securities holdings.

**Please answer the following questionnaire:**

**ANSWERS  
(YES/NO)**

1. The holding of Dealer Member assets in the country is consistent with the best interests of the Dealer Member's shareholders and clients after giving due regard to the following considerations:
  - whether applicable law would restrict access by the Dealer Member's external auditors to books and records kept by a custodian in that country;
  - whether applicable foreign law would restrict the Dealer Member's ability to recover assets in the event of the failure of the custodian in that country;
  - whether applicable foreign law would restrict the Dealer Member's ability to recover assets that are lost while under the control of the custodian in that country;
  - the likelihood of expropriation, nationalization, freezes or confiscation of Dealer Member assets in that country;
  - whether difficulties exist in converting Dealer Member assets to Canadian dollars are reasonably foreseeable.

\_\_\_\_\_
2. The holding of Dealer Member assets by this custodian is consistent with the best interests of Dealer Member shareholders and clients after giving due regard to the following considerations:
  - the financial strength of the custodian, its general reputation and standing in the country, its ability to efficiently provide the custodial services required and the relative costs for those services;
  - whether the custodian would provide a level of safeguards for maintaining Dealer Member assets not materially different from that provided by a Dealer Member's Canadian custodians in maintaining Dealer Member securities in Canada;
  - whether the custodian has branch offices in Canada to facilitate the assertion of jurisdiction over and enforcement of judgments against the custodian.

\_\_\_\_\_
3. The Dealer Member has executed a written custodial agreement with the custodian and is in compliance with the provisions of section 4443. 

\_\_\_\_\_
4. The Dealer Member has established a system of monitoring the foreign custody arrangements to ensure that securities held at this custodian are limited to an amount reasonably necessary to effect the Dealer Member's foreign securities transactions. 

\_\_\_\_\_
5. The Board of Directors or committee thereof, at least annually will review and approve the continuance of this custodial arrangement to ensure that it is consistent with the best interests of the Dealer Member and its shareholders and clients. 

\_\_\_\_\_

6. If at any time it is determined that the continuance of the arrangement with the custodian is not consistent with the best interests of the Dealer Member and its shareholders and clients, or if the custodian is no longer approved by the IIROC, the Dealer Member undertakes to withdraw assets held for it from the custodianship of that particular custodian as soon as reasonably practical, and in any event no longer than 180 days of the date of determination.

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Chief Executive Officer

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Chief Financial Officer

**CONSENT AND WAIVER**

Account name \_\_\_\_\_  
Account number \_\_\_\_\_

[Dealer Member name]

**Consent and Waiver**

The undersigned hereby expressly authorize(s) you to deposit the following securities \_\_\_\_\_ **[insert type or category of securities]** (collectively, the "Foreign Securities") held for accounts of the undersigned by you with \_\_\_\_\_ **[insert name of foreign custodian]** (the "Foreign Custodian") in \_\_\_\_\_ **[insert address of Foreign Custodian]**.

The undersigned acknowledges that conditions exist under governing laws of in \_\_\_\_\_ **[country]** that restrict the movement of securities in \_\_\_\_\_ **[country]** out of that country and that prevent compliance by the Foreign Custodian with criteria for custodial and client securities segregation arrangements required by Canadian regulatory standards. Therefore, the safety and recovery of securities held for the undersigned by you with the Foreign Custodian cannot be assured.

The undersigned hereby accept(s) all risks arising because the Foreign Custodian is the depository of the Foreign Securities and hereby waives any claim it may have against you and relieves you of any liability with respect to any loss of the Foreign Securities held for accounts of the undersigned with you by the Foreign Custodian. For greater certainty the undersigned acknowledges that no capital or margin is required to be maintained by you in respect of the Foreign Securities held by the Foreign Custodian. The undersigned further acknowledges that no claim may be made by the undersigned under the Canadian Investor Protection Fund in the event of a loss in accounts of the undersigned from the inability to recover or deliver the Foreign Securities.

The Consent and Waiver remain valid until the Foreign Securities are returned by the Foreign Custodian to you to be held in my accounts with you in accordance with Canadian securities segregation requirements.

Dated at \_\_\_\_\_ , \_\_\_\_\_ **[date]**

Signature(s):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**(Dealer Member signature)**

**GUIDANCE NOTE 4340-2  
SECURITIES HELD IN CUSTODY –  
CUSTODIAL AGREEMENT REQUIREMENT AND MARGIN REQUIREMENTS**

This Guidance Note provides direction on a Dealer Member's custody obligations and interprets certain margin requirements in Rule 4300, Part B, Sections 4365 and 4366, that apply when a Dealer Member:

- (1) does not have a written custodial agreement with an *external securities location*; and/or
- (2) does not reconcile its mutual fund or evidence of deposit securities positions with the statements issued by its mutual fund or financial institution custodian.

Included as appendices to this Guidance Note are the following:

- Appendix 1 - the standard custodial agreement
- Appendix 2 - the standard custodial agreement for non-certificated debt
- Appendix 3 - the Bare Trustee Custodial Agreement for mutual fund securities
- Appendix 4 - a Custodial Agreement Decision Tree for determining capital charges
- Appendix 5 - a summary of the custody related margin requirements

**WRITTEN CUSTODIAL AGREEMENT REQUIREMENT**

**AGREEMENTS BETWEEN A DEALER MEMBER AND AN EXTERNAL CUSTODIAN**

A Dealer Member must execute a custodial agreement for securities held at external securities locations. This Guidance Note discusses two types of written custodial agreements. First, it covers those agreements between a Dealer Member and an external securities location that otherwise qualifies as an acceptable external securities location, as required by section 4352. Second, it covers those agreements with certain third party custodians in which the Corporation acts as a bare trustee for Dealer Members, as covered in section 4353.

***Background***

A Dealer Member has a custody obligation for all securities held in nominee name. A Dealer Member may also have a safekeeping obligation for securities held in client name, depending upon whether or not the client named securities are under the Dealer Member's control. If those nominee name and client name securities are under the Dealer Member's control, the Dealer Member has a custody obligation and a safekeeping obligation, respectively, and must hold them at an acceptable internal securities location or at an *acceptable external securities location*. [LINK: Rule 4300, Part B, Section 4341] For an external securities location to qualify as an *acceptable external securities location*, the location must meet the requirements in section 4347 and Form 1, which includes the requirement that the Dealer Member have a written custodial agreement with the external securities location.

If a Dealer Member does not have a written custodial agreement for an external securities location, the location is considered to be a non-acceptable securities location. Security positions held at such locations are subject to additional margin requirements. [LINK: Rule 4300, Part B, Section 4365 and Form 1, Statement B, Line 18]

***Custody obligation and arrangements requiring custodial agreement***

The Dealer Member has a custody obligation for all securities held in nominee name, whether held in book-based or physical form. This includes mutual fund positions and financial institution-issued evidences of deposit. Table 1 details situations when a custodial agreement, a safekeeping agreement, and when no agreement is required.

**Table 1:** Required use of custodial agreements and safekeeping agreements.

	Nominee name	Client name
<b>Book-based certificate</b>	<p>Security “held” at location external to the Dealer Member in nominee name.</p> <p><b>External location</b> - Dealer Member must verify that location otherwise qualifies as an acceptable external securities location and execute a <i>custodial agreement</i></p>	<p>Security “held” at location external to the dealer in client name and outside of Dealer Member control.</p> <p><b>External location</b> - Position is not reported on Dealer Member books and <i>no agreement is required</i></p>
<b>Physical certificate</b>	<p>Security may be held at location either external to or within the Dealer Member in nominee name.</p> <p><b>External location</b> - Dealer Member must verify that location otherwise qualifies as an acceptable external securities location and execute a <i>custodial agreement</i></p> <p><b>Within the Dealer Member</b> - Dealer Member must verify compliance with sections 4343, 4344, and 4345.</p>	<p>Security may be held at location either external to (either subject to dealer control or not) or within the Dealer Member in client name.</p> <p><b>External location and subject to Dealer Member control</b> - Dealer Member must verify that location otherwise qualifies as an acceptable external securities location and execute a <i>safekeeping agreement</i></p> <p><b>External location and not subject to Dealer Member control</b> - Position is not reported on Dealer Member books and <i>no agreement is required</i></p> <p><b>Within the Dealer Member</b> - Dealer Member must verify compliance with sections 4343, 4344, and 4345.</p>

**Margin implications of not having a custodial agreement in place**

If a Dealer Member does not have a written custodial agreement with a custodian, and that entity would otherwise qualify as an acceptable securities location, margin totaling up to 10% of the market value of the securities must be deducted on Statement C to account for “agreement risk”.

Without a written custodial agreement in place, “set-off risk” is also a concern. A financial institution that is both a custodian and a securities issuer could set-off the amount owed by a Dealer Member to the custodian against the redemption value of a security redeemed by the Dealer Member on behalf of a client. For example, an evidence of deposit is generally held at a financial institution issuer in nominee name by a Dealer Member for its client. When the Dealer Member redeems the investment on behalf of its client, the financial institution could potentially set-off its redemption obligation to pay by any amounts owed by the Dealer Member to the financial institution. Table 2 summarizes the margin implications of having and not having a custodial agreement with an external custody location.

**Table 2:** Summary of margin requirements regarding custodial agreements and an external custody location.

External custody location situation	Margin requirements
<p>1. Location is an entity meeting the “acceptable securities locations” definition in Form 1</p> <p>AND</p> <p><i>Dealer Member has executed an acceptable custodial agreement with the institution.</i></p>	<p>No margin required unless there are unresolved differences pursuant to section 4366</p>

External custody location situation	Margin requirements
2. Location is a non-acceptable securities location  AND  <i>Dealer Member has obtained client waivers for positions held. Dealer Member has executed an acceptable custodial agreement with the institution.</i>	No margin required pursuant to section 4362
3. Location is an entity meeting the “acceptable securities locations” definition in Form 1  AND  <i>Dealer Member has not executed an acceptable custodial agreement with the institution.</i>  OR  4. Location is a non-acceptable securities location  AND  <i>Dealer Member has obtained client waivers for positions held. Dealer Member has not executed an acceptable custodial agreement with the institution.</i>	<i>No set-off risk present:</i> Margin requirement in determining early warning excess and early warning reserve equal to 10% of the market value of securities held in custody pursuant to subsection 4365(2).  <i>Set-off risk present:</i> Two margin requirements, one in determining early warning excess and early warning reserve, and the other in determining RAC, which on a combined basis may be up to a maximum of 100% of the market value of securities held in custody pursuant to subsection 4365(3).

**Examples of calculations**

The following examples illustrate how the calculations would work for specific situations.

**Example #1**

A Dealer Member enters into a custodial arrangement with ABC Custody Services, but does not sign a custodial agreement to document the arrangement. The market value of the securities held in custody is \$10 million. The Dealer Member has no other business with ABC Custody Services. ABC Custody Services would otherwise qualify as an acceptable securities location except for the fact that a custodial agreement was not signed.

Margin requirements

- Setoff risk requirement - Nil

The Dealer Member has no other business with ABC Custody Services so it has no other obligations.

- Agreement risk requirement - \$1 million

The requirement is 10% of the market value of the securities at ABC Custody Services which is \$1 million. This amount is deducted on Line 2(c) of Statement C as part of the early warning excess and early warning reserve calculation.

**Example #2**

A Dealer Member enters into a custodial arrangement with DEF Custody Services, but does not sign a custodial agreement to document the arrangement. The value of the securities held in custody is \$10 million. The Dealer Member also enters into a significant number of securities borrowing and lending transactions with DEF Custody Services on an ongoing basis, and as at the date of calculation has received a call from DEF Custody Services to provide additional collateral in the amount of \$5 million. The Dealer Member has no other business with DEF Custody Services apart from the custodial arrangement and the securities borrowing and lending transactions activity. DEF Custody Services would otherwise qualify as an acceptable securities location except for the fact that a custodial agreement was not signed.

Margin requirements.

- Setoff risk - \$5 million.

The amount of the setoff risk requirement is the lesser of the setoff risk exposure (\$5 million) and the value of the securities held in custody (\$10 million). This amount is deducted on Line 18 of Statement B as part of the *RAC* calculation.

- Agreement risk requirement - \$1 million

The requirement is 10% of the market value of the securities at DEF Custody Services, which is \$1.0 million. This amount is deducted on Line 2(c) of Statement C as part of the early warning excess and early warning reserve calculation.

**Example #3**

A Dealer Member enters into a custodial arrangement with GHI Custody Services, but does not sign a custodial agreement to document the arrangement. The value of the securities held in custody is \$10 million. The Dealer Member also enters into a significant number of securities borrowing and lending transactions with GHI Custody Services on an ongoing basis, and as at the date of calculation has received a call from GHI Custody Services to provide additional collateral in the amount of \$9.5 million. The Dealer Member has no other business with GHI Custody Services apart from the custodial arrangement and the securities borrowing and lending transactions activity. GHI Custody Services would otherwise qualify as an acceptable securities location except for the fact that a custodial agreement was not signed.

Margin requirements

- Setoff risk - \$9.5 million.

The amount of the setoff risk requirement is the lesser of the setoff risk exposure (\$9.5 million) and the value of the securities held in custody (\$10 million). This amount is deducted on Line 18 of Statement B as part of the *RAC* calculation.

- Agreement risk requirement - \$0.5 million

The requirement is normally 10% of the market value of the securities at GHI Custody Services which is \$1.0 million. However because \$9.5 million is already being provided above for setoff risk and the total losses are limited to the value of the securities held in custody (\$10 million), the requirement in this case is reduced to \$0.5 million. This amount is deducted on Line 2(c) of Statement C as part of the early warning excess and early warning reserve calculation.

**Summary of examples**

**Example #1** illustrates that when a Dealer Member has no other business with an outside custodian that otherwise qualifies as an *acceptable securities location*, the margin requirement when the Dealer Member does not execute a written custodial agreement (in a form acceptable to the Corporation) is limited to a 10% charge as part of the early warning excess and early warning reserve calculation.

**Example #2** illustrates that when a Dealer Member has other business with an outside custodian that otherwise qualifies as an *acceptable securities location*, the margin requirement when the Dealer Member does not execute a written custodial agreement (in a form acceptable to IIROC) has two parts:

- A charge for any setoff risk exposure to the custodian as part of the *RAC* calculation; and
- A 10% charge as part of the early warning excess and early warning reserve calculation.

**Example #3** illustrates that in total, the charges provided for in the *RAC* and early warning excess and early warning reserve calculations do not exceed 100% of the market value of the securities held in custody.

***Sub-custodial arrangements***

If a Dealer Member has a master global custodial agreement with an *acceptable institution* and the Dealer Member's master global custodial agreement with the *acceptable institution* provides that securities are also held in sub-custodial locations, the custodial agreement must contain a legally enforceable indemnity of the *acceptable institution* in favour of the Dealer Member for all losses, claims, damages, costs and liabilities for securities and other property held for the Dealer Member and its clients

at all sub-custodial locations disclosed to the Dealer Member. If a Dealer Member is aware of its global custodian using sub-custodial locations but has not obtained this indemnity, the Dealer Member will be subject to capital charges.

To ensure that global custodial arrangements are in compliance with the requirements noted above, a Dealer Member should consult with the Corporation before finalizing any agreement.

## **AGREEMENTS BETWEEN THE CORPORATION, AS BARE TRUSTEE, AND AN EXTERNAL CUSTODIAN**

### ***Background –***

The Corporation enters into custodial agreements, as bare trustee for the Dealer Members, with certain third party custodians for mutual funds, book-based Canada Savings Bonds and evidences of deposit. The bare trustee custodial agreement with a third party custodian fulfills the Dealer Member's obligation to enter into a written custodial agreement with that custodian. [\[LINK Rule 4300, Part B, Section 4353\]](#) Dealer Members thus avoid a multiplicity of custodial agreements with those third party custodians. *[IDA Bulletin #3618, IDA Compliance Interpretation Bulletin C-81, IDA Bulletin #2588, IDA Member Regulation Notice MR0080]*

The IDA and CIPF entered an agreement dated May 9, 2005 in which all existing custody agreements executed in the name of CIPF as bare trustee were assigned to the IDA for administration on a going forward basis. With the formation of IIROC on June 1, 2008, all existing custody agreements were assigned to IIROC. All references in this Guidance Note to current bare trustee custodial agreements describe IIROC as a signatory. IIROC now enters into bare trustee custodial agreements on behalf of Dealer Members. *[IDA Member Regulation Notice MR0475]*

A bare trustee custodial agreement must contain the minimum terms prescribed in Rule 4352. [\[LINK: Rule 4300, Part B, Section 4352\]](#)

### ***Agreements with mutual funds and financial institutions***

A Dealer Member satisfies the requirement to have a written custodial agreement with a mutual fund or a financial institution issuer of evidences of deposit if:

- (a) the Dealer Member signs a prescribed custodial agreement directly with the mutual fund or financial institution; or
- (b) The Corporation, acting as bare trustee for Dealer Members, has a written custodial agreement with that mutual fund or financial institution.

### ***Custodial agreement between a Dealer Member and a mutual fund or financial institution custodian***

The custodial agreement in Appendix 1 may be used by a Dealer Member and a mutual fund custodian for mutual fund securities, and the custodial agreement in Appendix 2 may be used by a Dealer Member and a financial institution for non-certificated evidences of deposit.

### ***Bare trustee custodial agreement with a mutual fund or financial institution***

A Dealer Member may arrange for a bare trustee custodial agreement with a mutual fund or a financial institution in two ways. First, a Dealer Member may ask the Corporation to request that a mutual fund or financial institution sign the prescribed custodial agreement and return it to the Corporation for signature.

- (a) The Dealer Member must give the Corporation the name, address and name of the contact person for the mutual fund or financial institution.
- (b) The Corporation will send the custodial agreement to the mutual fund or financial institution for signature.

Second, a Dealer Member may provide a blank copy of the prescribed custodial agreement directly to the mutual fund or financial institution and ensure that the signed agreement is forwarded to the Corporation for signature.

## MARGIN IMPLICATIONS – RECONCILIATION OF SECURITIES POSITION

A basic principle of securities regulation is to safeguard securities and client assets. A Dealer Member that holds all securities that are not under its control or physical possession in an *acceptable external securities location* is subject to margin requirements resulting from unreconciled differences, if any.

### **General**

- (1) A Dealer Member must reconcile its mutual fund and evidence of deposit securities positions at least monthly with records, account statements, or electronic files provided by the mutual fund or financial institution custodian. [\[LINK: Rule 4300, Part B, Section 4360\]](#)
- (2) A Dealer Member that has not reconciled its balances and securities positions with the records provided by the mutual fund or financial institution custodian must provide margin for unresolved differences [\[LINK: Rule 4300, Part B, Section 4366 and Form 1, Statement B, Line 20\]](#)
- (3) If the custodian issues statements on a quarterly, semi-annual, or annual basis, a Dealer Member is unable to comply with the requirement for monthly reconciliation in the months it does not receive statements. The Dealer Member is subject to margin charges for those months in which it is unable to reconcile its securities positions.

### **Rules for reconciliation of mutual funds and “evidences of deposit”**

For margin purposes, mutual fund securities issued by mutual funds and evidences of deposit issued by financial institutions that are not negotiable and/or transferable are classified into the following:

#### **Type I**

If the issuing mutual fund or financial institution provides monthly files or statements, margin is only required on any unresolved differences. [\[LINK Form 1, Statement B, Line 20\]](#)

#### **Type II**

If:

- (a) a Dealer Member does not reconcile a mutual fund or evidence of deposit security position with monthly files or statements provided by the issuing mutual fund or financial institution monthly;
- (b) there has been no loan value extended to positions held in client accounts; and
- (c) there has been no activity in the security positions held with the issuing mutual fund or financial institution in the last six months, except for redemptions and transfers,

then the margin required on these security positions is 10% of the market value of each individual position, calculated as at the reporting date. [\[LINK Form 1, Statement B, Line 20\]](#)

In all other cases, the margin required on these security positions is 100% of the market value of each individual position calculated as at the reporting date.

**CUSTODIAL AGREEMENT**

**AGREEMENT** made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

B E T W E E N:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

("Member")

OF THE FIRST PART

- and -

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

("Custodian")

OF THE SECOND PART

**WHEREAS:**

- A. the Member is a member of a self-regulatory organization (the "SRO") which is a participating institution in the Canadian Investor Protection Fund;
- B. the Custodian provides custodial and depository services and meets the criteria as an acceptable securities location set out in the by-laws, rules and regulations of the SRO;
- C. the Custodian provides services, including custodial and/or depository services, to the Member in connection with the segregation obligations of members of the SRO;
- D. the by-laws, rules and regulations of the SRO require that the terms upon which any securities are deposited with the Custodian for the Member or its customers include certain written provisions to the effect of subparagraphs 1(a), (b) and (c) hereof;
- E. the parties hereto desire to comply with the by-laws, rules and regulations of the SRO;

**IN CONSIDERATION** of these premises and other good and valuable consideration received and acknowledged by each of the parties hereto, the parties agree as follows:

**1. Terms of Segregation**

The Custodian shall ensure, in respect of any securities deposited with and held by it for the Member or customers of the Member in accordance with the by-laws, rules and regulations of the SRO that, subject to securing the payment of the reasonable and agreed administration fees and charges in respect of the custodial and depository services provided:

- (a) no use or disposition of such securities shall be made without the prior written consent of the Member;
- (b) certificates representing such securities shall be delivered to the Member promptly on demand or, when certificates are not available and the securities are represented by book entry by the Custodian, the securities shall be able to be transferred either from the Custodian or to the account of any other person maintaining an account at the Custodian promptly on demand; and
- (c) securities shall be held in segregation for the Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the Custodian including, without limitation, such of the same as may otherwise arise in respect of margin account dealings.

**2. Records**

The Custodian shall maintain records in readily accessible form sufficient to identify the securities and other property held by it for the Member and its customers pursuant to this agreement separate and distinct from any other securities or property held by the Custodian. Accounts for securities and property held hereunder shall be in the name of the Member. The Custodian shall permit access to such records or provide confirmation of their contents to the auditors of the Member within seven business days of written request. The Member shall be entitled to receive a report from the Custodian not less frequently than monthly disclosing the state of any account of the Member held by the Custodian including the amount, value and identification of securities by issue held for such account, any deficiencies, and accrued and unpaid fees or charges.

**3. Indemnity**

The Custodian shall indemnify and save harmless the Member against and from any and all losses of the Member as a result of the failure of the Custodian to return to the Member any securities or property held by it in accordance with this agreement, provided that the liability of the Custodian under this paragraph shall be limited to the market value of the securities and property as at the time which it was required to deliver to the Member the securities and property.

**4. Terms**

This agreement shall remain in full force and effect as long as the Custodian holds any securities on behalf of the Member or its customers.

**5. Binding Effect**

This agreement shall extend to and enure to the benefit of and be binding upon the successors and assigns of the parties hereto but shall not be assigned by the Custodian without the prior written consent of the Member.

**6. English Language**

This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la présente convention soit rédigée en anglais.

The parties have executed this agreement under the hands of their authorized officers as of the date set out above.

**[CUSTODIAN]**

Per: \_\_\_\_\_

Position: \_\_\_\_\_

**[MEMBER]**

Per: \_\_\_\_\_

Position: \_\_\_\_\_

June 21, 1994

**Custodial Agreement (NCI)**

**Re: Non-Certificated Debt Instruments**

**AGREEMENT** made this \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_ .

BETWEEN:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

(“Member”)

OF THE FIRST PART

- and -

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

(“Issuer”)

OF THE SECOND PART

**[Note to Members: This sample Custodial Agreement contains the minimum terms that are required by your Canadian SRO (as defined) for external segregation location arrangements (or non-certificated debt instruments such as GICs). Additional terms may be necessary or desirable to protect your interests and you should consult your own advisors in that regard. The SROs and their employees and representatives are not responsible to the Members or their customers or any other person who relies on the provisions of this draft Agreement.]**

**WHEREAS:**

- A. the Member is a member of a self-regulatory organization (the “SRO”) which is a participating institution in the Canadian Investor Protection Fund;
- B. the Issuer sells and redeems securities of its own issue to the Member and the customers of the Member from time to time, which securities may be available in non-certificated form and represented by book entry by the Issuer (“NCF Securities”);
- C. the Issuer meets the criteria as an acceptable securities location set out in the by-laws, rules and regulations of the SRO (“Regulations”);
- D. the Regulations require that the terms upon which any NCF Securities are issued and held by the Issuer for the Member or its customers include certain written provisions to the effect of subparagraphs I (a), (b) and (c) hereof in connection with the segregation obligations of members of the SRO; and
- E. the parties hereto desire to comply with the Regulations.

**IN CONSIDERATION** of these premises and other good and valuable consideration received and acknowledged by each of the parties hereto, the parties agree as follows:

**1. Terms of Segregation**

The Issuer shall ensure, in respect of any NCF Securities registered in the name of the Member and held by it for the Member in accordance with the Regulations that:

- (a) no use or disposition of NCF Securities shall be made without the prior written consent of the Member (which consent may be given by electronic communication which is capable of being retrieved and confirmed);
- (b) certificates representing NCF Securities shall be delivered to the Member promptly on demand or, when certificates are not available and the securities are represented by book entry only by the Issuer, the NCF Securities shall be able promptly on demand to be either (i) transferred from the Issuer or to the account of any other person maintaining an account at the Issuer or (ii) redeemed by the Issuer; and
- (c) NCF Securities shall be held in segregation for the Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the Issuer including, without limitation, such of the same as may otherwise arise in respect of margin account dealings.

**2. Records**

The Issuer shall maintain records in readily accessible form sufficient to identify the NCF Securities and other property held by it for the Member and its customers pursuant to this agreement separate and distinct from any other securities or property of or held by the Issuer. Accounts for securities and property held hereunder shall be in the name of the Member. The Issuer shall permit access to such records or provide confirmation of their contents to the auditors of the Member within seven business days of written request. The Member shall be entitled to receive a report from the Issuer not less frequently than monthly disclosing the state of any account of the Member held by the Issuer including the amount, value and identification of NCF Securities held for such account, any deficiencies, and accrued and unpaid fees or charges.

**3. Indemnity**

The Issuer shall indemnify and save harmless the Member against and from any and all losses of the Member as a result of the failure of the Issuer to return or credit to the Member or its customers any NCF Securities or property held by it in accordance with this agreement, provided that the liability of the Issuer under this paragraph shall be limited to the market value of the NCF Securities and property as at the time which it was required to deliver to the Member the NCF Securities and property.

**4. Terms**

This agreement shall remain in full force and effect as long as the Issuer holds any NCF Securities on behalf of the Member or its customers.

**5. Binding Effect**

This agreement shall extend to and enure to the benefit of and be binding upon the successors and assigns of the parties hereto but shall not be assigned by the Issuer without the prior written consent of the Member.

**6. English Language**

This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la présente convention soit rédigée en anglais.

The parties have executed this agreement under the hands of their authorized officers as of the date set out above.

[ISSUER]

Per: \_\_\_\_\_

Position: \_\_\_\_\_

[MEMBER]

Per: \_\_\_\_\_

Position: \_\_\_\_\_

January 30, 1996

**Mutual Fund Bare Trustee**

**AGREEMENT** made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ .

B E T W E E N:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
("Fund/Manager")

OF THE FIRST PART

-and-

Investment Industry Regulatory Organization of Canada (IIROC)/Organisme canadien de réglementation du commerce des valeurs mobilières—OCRCVM

Suite 1600, 121 King Street West,  
Toronto, Ontario, M5H 3T9, for and on behalf of its Dealer Members,  
as trustee,

("IIROC")

OF THE SECOND PART

**INTRODUCTION:**

1. IIROC is a self-regulatory organization which regulates its Dealer Members in accordance with its rules, forms and other directives and notices (the "Rules").
2. The Fund/Manager (i) sells and redeems investment products (as defined below) of its own issue to, and/or (ii) provides management, administrative or other services to issuers or distributors of products who deal with, certain Dealer Members and the customers of such Dealer Members from time to time.
3. This Agreement is intended to apply to all investment products ("products"), which shall include (without limitation) securities of every type, mutual funds and investment funds, annuities and other types of insurance contracts, deposits and deposit liabilities of every type, precious metals and other commodities and other similar investments in whatever form (whether tangible or intangible and whether or not evidenced by any certificate or instrument or book entry).
4. In connection with the activities of the Fund/Manager described in paragraph 2, the Fund/ Manager is to be an acceptable segregation location for Dealer Members for the purposes of the Rules in respect of the segregation obligations of the Dealer Members with respect to all products (whether or not constituting securities).
5. The Rules require that the terms upon which any products are held by or deposited with the Fund/Manager for Dealer Members include written provisions to the effect of paragraphs 1(a), (b), (c) and (d) below.
6. As a matter of convenience and to reduce the need for the Fund/Manager to enter into individual written agreements with each Dealer Member with whom it deals, IIROC has agreed to enter into this Agreement as a bare trustee on behalf of such Dealer Members.

**IN CONSIDERATION** of these premises and other good and valuable consideration received by each of the parties from each of the others, the parties agree as follows:

1. **Terms of Segregation.** The Fund/Manager shall ensure, in respect of any products registered in the name of a Dealer Member and/or held by or deposited with it for the Dealer Member in accordance with the Rules, that, subject to paragraph 1(e),

- (a) no use or disposition of such products shall be made (including any action that could result in the creation of an encumbrance) without the prior written consent of the Dealer Member (which consent may be given by electronic communication which is capable of being retrieved and confirmed);
- (b) certificates or instruments representing such products shall be delivered to the Dealer Member promptly on demand or, when certificates or instruments are not available and the products are represented by book entry by the Fund/Manager, the products shall be able to be transferred either from the Fund/Manager or to the account of any other person maintaining an account at the Fund/Manager promptly on demand;
- (c) the products of the Dealer Member or customers of a Dealer Member shall be held in segregation for the Dealer Member and shall be free and clear of any mortgage, charge, lien, trust, right of retention, claim or other encumbrance of any kind in favour of the Fund/Manager in any capacity, any such encumbrance that may exist or be created despite this prohibition being irrevocably waived; and
- (d) the Fund/Manager shall not, in any capacity, assert any right of set off, consolidation of accounts, combination, compensation, retainer or netting, or assert any other right or counterclaim in any manner that could produce a like or analogous effect, any such right or manner of counterclaim that may exist or arise despite this prohibition being irrevocably waived; provided that
- (e) the prohibition of the Fund/Manager in paragraph 1(a) and the requirements of the Fund /Manager in paragraphs 1 (b), (c) and (d) are each subject to the terms, conditions and provisions of:
  - (i) the products,
  - (ii) any contract between the Fund/Manager and the holder of the products in respect of the sale, issuance, transfer or redemption of the products, and
  - (iii) any applicable law or regulatory policy,

and any act or refusal to act by the Fund/Manager in accordance with or permitted by such terms, conditions or provisions shall not be considered to be in breach of this Agreement.

2. Notwithstanding any other agreement or course of dealing between the Dealer Member and the Fund/Manager either before or after the date of this Agreement, all products of the Dealer Member or customers of the Dealer Member that may be held by, recorded with or otherwise left or placed in the possession or under the control of the Fund/Manager from time to time (regardless of the form of holding or recording or any other circumstances, and whether in tangible or intangible form) shall be subject to this Agreement, except only to the extent that the application of this Agreement to a particular product or group of products is expressly excluded by the prior written consent of the Dealer Member (which consent to exclusion may be given by electronic communication which is capable of being retrieved and confirmed).

3. **Trust.** IIROC declares that it holds the benefit of the covenants of the Fund/Manager herein in trust for the Dealer Members and the Fund/Manager acknowledges that each Dealer Member for whom the Fund/Manager is an acceptable segregation location may enforce such covenants directly against the Fund/Manager as if entered into by such Dealer Member itself in connection with the services provided by the Fund/Manager to such Dealer Member. IIROC shall be under no obligation or responsibility of any kind or character to any Dealer Member or customer of a Dealer Member or any person claiming through either of them in respect of this Agreement and, in particular, shall have no obligation, responsibility or duty to see that any covenant herein is carried out and fulfilled or to take any action for the enforcement of this Agreement

4. **Indemnity.** The Fund/Manager shall indemnify and save harmless the Dealer Member against and from any and all losses of the Dealer Member as a result of the failure of the Fund/Manager to return to the Dealer Member any securities or property held by it in accordance with this Agreement, provided that the liability of the Fund/Manager under this paragraph shall be limited to the market value of the securities and property as at the time which it was required to deliver to the Dealer Member the securities and property.

5. **Term.** This Agreement shall remain in full force and effect with respect to any Dealer Member and the Fund/Manager as long as any products are held by or deposited with the Fund/Manager on behalf of such Dealer Member as an acceptable segregation location.

6. **Binding Effect.** This Agreement shall extend to and enure to the benefit of and be binding upon the successors and assigns of the parties hereto and the Dealer Members but shall not be assigned by the Fund/Manager without the prior written consent of IIROC.

7. **English Language.** This Agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la présente convention soit rédigée en anglais.

8. **Governing Law.** This Agreement shall be governed by the laws of the Province of Ontario.

**THE PARTIES** have executed this Agreement under the hands of their authorized officers as of the date set out above

\_\_\_\_\_  
(Name of Fund/Manager)

By: \_\_\_\_\_

By: \_\_\_\_\_

Type(s) of Products Managed: (eg. Mutual Funds,  
Segregated Funds, Guaranteed Investment Certificates,  
Other, - with Description)

\_\_\_\_\_  
Investment Industry Regulatory Organization of Canada / Organisme  
canadien de réglementation du commerce des valeurs mobilières

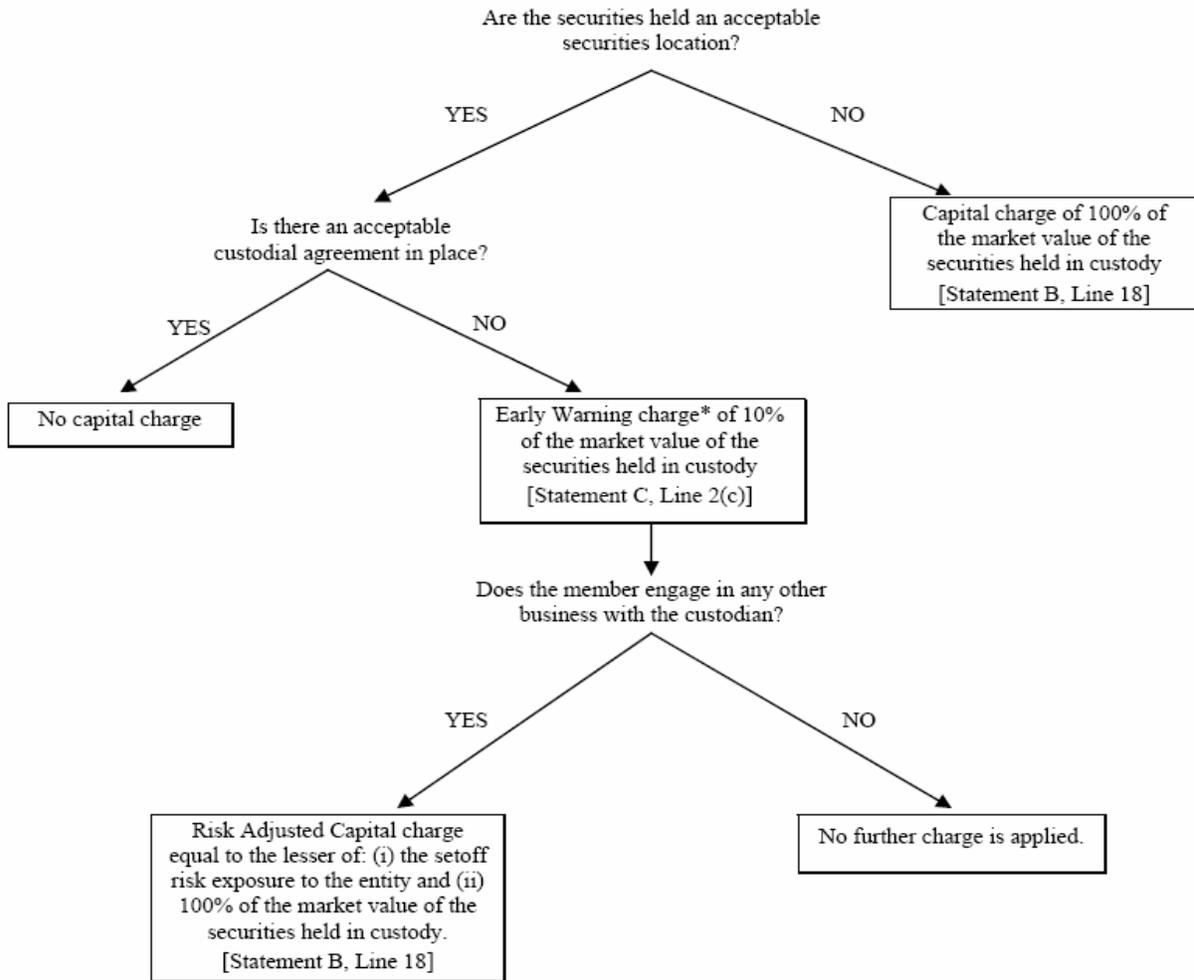
By: \_\_\_\_\_

By: \_\_\_\_\_

June 2008

**Chart 1: Custodial Agreement Decision Tree**

This decision tree details the considerations in determining whether, for a particular custodial arrangement, a capital charge needs to be calculated and provided for on either Line 18 of Statement B of Form 1, or Line 2(c) of Statement C of Form 1, or both lines. Members are reminded that a separate capital charge would apply where an unresolved difference is identified. In the case of unresolved differences, a capital charge would be calculated and provided on Line 20 of Statement B of Form 1 whether or not a valid custodial agreement has been entered into with the custodian.



The combined Risk Adjusted Capital and Early Warnings charges shall be no greater than 100% of market value of the securities held in custody. Where the combined charges initially calculated are greater than 100%, the Early Warning charge\* shall be reduced accordingly.

[IDA Member Regulation Notice MR0529]

## Margin Requirements

The chart below summarizes the margin requirements in Rule 4300, Part B, sections 4363 through 4366.

Situation	Margin Requirements
<p><b>1. Internal securities locations</b></p> <p>(a) Dealer Member holds securities in acceptable internal storage</p> <p>(b) Securities are in transit between internal storage locations:</p> <p>(i) for which there are no adequate internal controls; OR</p> <p>(ii) for more than 5 business days</p>	<p>Margin required on any unreconciled differences based on Form 1, Statement B, Line 20, Notes and Instructions pursuant to Rule 4300, Part B, Section 4366</p> <p>Non-acceptable securities location – Deduct 100% of market value of securities pursuant to Rule 4300, Part B, Section 4363</p>
<p><b>2. External securities locations</b></p> <p>(a) Dealer Member holds securities in <i>acceptable external securities location</i></p> <p>(b) Dealer Member holds securities at <i>external securities location</i> not specified in <i>IIROC requirements</i></p> <p>(c) Dealer Member holds securities in foreign institution or securities dealer as an acceptable securities location but no annual written approval of location by Dealer Member's board or appropriate committee</p> <p>(d) Dealer Member holds securities in <i>acceptable external securities location</i> but Dealer Member has not received annual positive confirmation from custodian</p> <p>(e) Securities with a transfer agent in Canada and position remains unconfirmed after 45 business days of delivery</p> <p>(f) Securities with a transfer agent in the US and position remains unconfirmed after 70 business days of delivery</p> <p>(g) Securities with a transfer agent outside Canada and the US, and position remains unconfirmed after 100 business days of delivery</p> <p>(h) Dealer Member does not receive securities from a declared stock dividend or stock split within 45 business days of date receivable, and position remains unconfirmed after the 45 business days</p> <p>(i) For mutual fund positions and evidences of deposit where a Dealer Member reconciles its book and records at least monthly to the mutual fund's or financial institution's records</p>	<p>Margin required on any unreconciled differences pursuant to Form 1, Statement B, Line 20, Notes and Instructions and Rule 4300, Part B, Section 4366</p> <p>Non-acceptable securities location – Deduct 100% of market value of securities pursuant to Rule 4300, Part B, Section 4363</p> <p>Non-acceptable securities location – Deduct 100% of the market value of securities held in custody with the location pursuant to Rule 4300, Part B, Section 4363</p> <p>Transfer position to difference account and provide margin using a margin rate appropriate for inventory positions pursuant to Rule 4300, Part B, Section 4364</p> <p>Transfer position to difference account and provide margin using a margin rate appropriate for inventory positions pursuant to Rule 4300, Part B, Section 4364</p> <p>Transfer position to difference account and provide margin using a margin rate appropriate for inventory positions pursuant to Rule 4300, Part B, Section 4364</p> <p>Transfer position to difference account and provide margin using a margin rate appropriate for inventory positions pursuant to Rule 4300, Part B, Section 4364</p> <p>Margin required on any unreconciled differences pursuant to Form 1, Statement B, Line 20, Notes and Instructions and Rule 4300, Part B, Section 4366</p>

Situation	Margin Requirements
<p>(j) For mutual fund positions and evidences of deposit where a Dealer Member does not reconcile its books and records at least monthly to the mutual fund's or financial institution's records and there is:</p> <p>(i) no transactions, except for redemptions and transfers, in the securities for at least 6 months, and</p> <p>(ii) no loan value extended to positions held in client accounts.</p>	<p>Margin required on any unreconciled differences is 10% of the market value of the securities pursuant to Rule 4300, Part B, Section 4366</p>
<p>(k) For mutual fund positions and evidences of deposit where a Dealer Member does not reconcile its books and records at least monthly to the mutual fund's or financial institution's records and there is:</p> <p>(i) transactions, other than redemptions and transfers, in the securities within the last 6 months, or</p> <p>(ii) loan value extended to the securities held in client accounts.</p>	<p>Margin required on any unreconciled differences pursuant to Form 1, Statement B, Line 20, Notes and Instructions and Rule 4300, Part B, Section 4366</p>
<p>(l) Custodian would be <i>acceptable external securities location</i> except no written custodial agreement with Dealer Member; custodian has no right of set-off against Dealer Member</p>	<p>In determining early warning excess and early warning reserve, deduct 10% of market value of securities held in custody pursuant to Rule 4300, Part B, Subsection 4365(2)</p>
<p>(m) Custodian would be <i>acceptable external securities location</i> except no written custodial agreement with Dealer Member; Dealer Member has <i>set-off risk</i> with custodian</p>	<p>(i) Provide margin by the lesser of:</p> <p>(a) 100% of <i>set-off risk</i> exposure, and</p> <p>(b) 100% of market value of securities held in custody; plus</p> <p>(ii) in determining early warning excess and early warning reserve, deduct 10% of market value of securities held in custody.</p>
	<p>The total of above requirements limited to 100% of market value of securities held in custody pursuant to Rule 4300, Part B, Subsection 4365(3)</p>

## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

TEXT OF THE CURRENT RELEVANT PROVISIONS OF  
DEALER MEMBER RULES 1, 16, 17, 100, 200, 300, 400, 800, 1100,  
1200, 1400, 2000, 2200, 2300, 2600 AND 3000RULE 1  
INTERPRETATION AND EFFECT

1.1. In these Rules unless the context otherwise requires, the expression:

“**Securities Held for Safekeeping**,” means those securities held by a Dealer Member for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in a Dealer Member’s security position record, customer’s ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the Dealer Member;

“**Segregated Securities**” means those clients’ securities which are unencumbered and which have either been fully paid for or are excess margin securities. Segregated securities must be distinguished as being held in trust for the client owning the same. These securities must be described as being held in segregation on the Dealer Member’s security position record (or related records), customer’s ledger and statement of account. Whenever a client becomes indebted to a Dealer Member, the Dealer Member has the right to use, by sale or loan, previously segregated securities to the extent reasonably necessary to cover the indebtedness;

RULE 16  
DEALER MEMBERS’ AUDITORS AND FINANCIAL REPORTING**Panel of Dealer Members’ Auditors**

16.1 Each District Council shall select annually a panel of accounting firms. In addition, each District Council may at any time appoint one or more additional firms of accountants to or remove one or more firms of accountants from such panel. Except as otherwise provided by the **Error! Hyperlink reference not valid.**, each Dealer Member shall select from the panel its own auditor and the fees and expenses in respect of each audit or examination shall be paid by the Dealer Member concerned.

**Dealer Member Filing Requirements**

16.2. Dealer Members subject to the Corporation’s audit jurisdiction shall:

- (i) File monthly with the Corporation a copy of a financial report of the Dealer Member as at the end of each fiscal month or at such other date as may be agreed with the Corporation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Corporation from time to time.
- (ii) File annually with the Corporation, two copies of the Dealer Member’s audited financial statements, as defined in subsection 16.2(iii), as at the end of the Dealer Member’s fiscal year or as at such other fixed date as may be agreed upon with the Corporation.
- (iii) The Dealer Member’s financial statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Corporation may, from time to time, prescribe. The Dealer Member’s financial statements shall be filed by the Dealer Member’s Auditor within seven weeks of the date as of which the statements are required to be prepared, subject to the extension of time, if any, as the Corporation may grant, upon the request in writing of the Dealer Member’s Auditor.
- (iv) In calculating the risk adjusted capital of a Dealer Member, the financial position of the Dealer Member may, with the prior approval of the Corporation, be consolidated (in a manner as set out below) with that of any related company of a Dealer Member provided that:

- (a) Such related company is subject to all of the Rules of either the Corporation or the Bourse de Montréal Inc.; and
  - (b) The Dealer Member has guaranteed the obligations of such related company and the related company has guaranteed the obligations of the Dealer Member (such guarantee to be in a form acceptable to the Corporation and unlimited in amount).
- (v) The said consolidation permitted shall be carried out in accordance with the following rules or in such other manner as may be acceptable to the Corporation:
- (a) Inter-company accounts between the Dealer Member and the related company shall be eliminated;
  - (b) Any minority interests in the related company shall be eliminated from the capital calculation; and
  - (c) Calculations with respect to the Dealer Member and the related company shall be as of the same date.

16.3. Repealed.

16.4. Repealed.

**Dealer Members' Auditors**

- 16.5. The Dealer Member's Auditor shall conduct his or her examination of the accounts of the Dealer Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Dealer Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Rule 300.
- 16.6. Every Dealer Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Dealer Member being examined, and no Dealer Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Dealer Member's Auditor for the purpose of his examination.

**Compliance**

- 16.7. If at any time the District Council is of the opinion that the financial condition or conduct of the business of any Dealer Member has required excessive attention from the Corporation and that it would be in the interests of the Corporation that the Corporation be reimbursed by such Dealer Member, the District Council shall have the power to impose an assessment against such Dealer Member. Any decision of the District Council imposing an assessment shall be in writing and notice thereof shall be given promptly to the Dealer Member and the Corporation.
- 16.8. The Board of Directors may authorize the Corporation to enter into in its own name agreements or arrangements with any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to the Rules or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.
- 16.9. The Corporation, its officers, a District Council, or any other committee of the Corporation authorized by the Board of Directors may provide to any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Corporation or any of the aforesaid persons or Councils pursuant to the Rules or otherwise in their possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.
- 16.10. Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member, its auditors or any person acting on its behalf, to file any report, form, financial statement or other information required under this Rule 16 within the times prescribed by this Rule 16, the Board of Directors, the Corporation or the terms of such report, form, financial statement or other information, as the case may be.

**RULE 17**  
**DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE**

- 17.1. Every Dealer Member shall have and maintain at all times risk adjusted capital greater than zero calculated in accordance with Form 1 and with such requirements as the Board of Directors may from time to time prescribe. If at any time the risk adjusted capital of a Dealer Member is, to the knowledge of such Dealer Member, less than zero, such Dealer Member shall immediately notify the Corporation.
- 17.2. Every Dealer Member shall keep and maintain at all times a proper system of books and records.
- 17.2A. Every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600.
- 17.3. All fully paid or excess margin securities held by a Dealer Member for a client shall be segregated and identified as being held in trust for such client in accordance with the Rules. For the purposes of Rules 17.3, 17.3A and 17.3B, a client means any person who maintains an account with a Dealer Member.
- 17.3A. The securities of all clients of a Dealer Member held in accordance with Rule 17.3 may be segregated in bulk for all such clients, other than those clients whose securities are held apart from all other securities pursuant to a written safekeeping agreement.
- 17.3B. The Board of Directors may prescribe by Rule the manner in which securities owned or held by a Dealer Member or held by a Dealer Member for the account of a client are to be segregated and held including, without limitation, the locations in which securities may be held and the manner in which the amount or value of securities to be segregated shall be calculated.
- 17.4. Every Dealer Member shall fulfil its contracts and any Dealer Member which in the ordinary course of business finds that any other Dealer Member refuses or is unable to fulfil its contracts shall immediately report such fact to the Corporation.
- 17.5. Every Dealer Member shall effect and keep in force insurance against such losses, and in such minimum amount or amounts in respect of such losses or any of them, as the Board of Directors may from time to time by Rule prescribe.
- 17.6. Every Dealer Member shall give to the Corporation written notice, with all available particulars, of any claim (other than client losses relating to lost document bonds) reported in writing by the Dealer Member to its insurers or their authorized representatives arising under the Financial Institution Bond or Bonds which such Dealer Member is required to effect and keep in force under Rule 400.2. Such notice shall be given within two business days of the Dealer Member so reporting to the insurer or its authorized representative.
- 17.7. Upon application by a Dealer Member, the applicable District Council on the recommendation of the Corporation may, in its discretion, reduce the minimum amount of insurance required to be maintained by a Dealer Member pursuant to Rule 400.4 if such Dealer Member can establish that the total exposure of such Dealer Member to the types of losses referred to in Rule 400.2 will not exceed the minimum amount of insurance required by Rule 400.4.
- 17.8. A reduction in the minimum amount of insurance required which is granted pursuant to Rule 17.7 shall be valid for a period of six months, after which it may be renewed upon application by the Dealer Member to the applicable District Council which shall only act after receiving the recommendation of the Corporation.
- 17.9. An application of a Dealer Member pursuant to 17.7 and 17.8 shall be made to the applicable District Council in care of the Corporation.
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- 17.16 Every Dealer Member shall establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures shall be reasonably designed to enable the Dealer Member to stay in business in the event of a future significant business disruption in order to meet obligations to its customers and capital markets counterparts and shall be derived from the Dealer Member's assessment of its critical business functions and required levels of operation during and following a disruption. Every Dealer Member shall update its plan in the event of any material change to its operations, structure, business or location. Every Dealer Member must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the member's operations, structure, business, or location. The Corporation, in its discretion, may require this annual review to be performed by a qualified third party.
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**RULE 30**  
**EARLY WARNING SYSTEM**

30.1. A Dealer Member shall be designated in early warning level 1 or level 2 according to its capital, profitability and liquidity position from time to time and frequency of designation or at the discretion of the Corporation as provided in this Rule 30. The terms and definitions used in this Rule shall have the same meanings as used in Statement C and Schedules 13 and 13A to Form 1 of the Corporation, unless otherwise defined in the Rules or the context requires, and reference shall be made to such Statement and Schedules in interpreting this Rule 30.

30.2 LEVEL 1.

A Dealer Member shall be designated in early warning level 1 if at any time:

**Liquidity**

Its early warning reserve is a negative number; or

**Capital**

Its risk adjusted capital is less than 5% of total margin required; or

**Profitability**

1. The quotients obtained by dividing each of

(a) Risk adjusted capital as at the date of calculation; and

(b) Risk adjusted capital as at the end of the preceding month.

By the average of the net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the six month periods ending with (i) the current month and (ii) the preceding month, respectively, where such average is a loss, are both greater than or equal to three but less than six, or

(c) The quotient obtained using the number in paragraph (a) as a divisor is greater than or equal to three but less than six and the quotient using the number in paragraph (b) as a divisor is less than three; or

2. The risk adjusted capital at the time of calculation is less than six times the net loss (as defined above) for the current month; or

**Discretionary**

The condition of the Dealer Member, in the sole discretion of the Corporation, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the Dealer Member is a new Dealer Member or the Dealer Member has been late in any filing or reporting required pursuant to the Rules.

30.3. If a Dealer Member is designated in early warning level 1 then, notwithstanding the provisions of any Rule (other than Rule 30.5) or Ruling of the Corporation, the following provisions shall apply:

(i) The chief executive officer and chief financial officer of the Dealer Member shall immediately deliver to the Corporation a letter containing the following:

(1) Advice of the fact that any of the circumstances in Rule 30.2 are applicable;

(2) An outline of the problems associated with the circumstances referred to in (1);

(3) An outline of the proposal of the Dealer Member to rectify the problems identified; and

(4) An acknowledgement that the Dealer Member is in early warning category and that the restrictions contained in Rule 30.3(iv) apply;

- A copy of which letter shall be provided to the Dealer Member's auditor and to the Canadian Investor Protection Fund;
- (ii) The Corporation shall immediately designate the Dealer Member as being in an early warning category level 1 and shall deliver to the chief executive officer and chief financial officer a letter containing the following:
    - (1) Advice that the Dealer Member is designated as being in early warning category level 1;
    - (2) A request that the Dealer Member file its next monthly financial report required pursuant to Rule 16.2 no later than 15 business days or, in the discretion of the Corporation if he or she considers it to be practicable, such earlier time following the end of the relevant month;
    - (3) A request that the Dealer Member respond to the letter as required under paragraph (iii) and that such response, together with the notice received pursuant to paragraph (i), will be forwarded to the Canadian Investor Protection Fund and may be forwarded to any securities commission having jurisdiction over the Dealer Member;
    - (4) Advice that the restrictions referred to in paragraph (iv) shall apply to the Dealer Member;
    - (5) Such other information as the Corporation shall consider relevant;
  - (iii) The chief executive officer and the chief financial officer of the Dealer Member shall respond by letter signed by them both within five business days of receipt of the letter referred to in paragraph (ii), with a copy to be sent to the Dealer Member's auditor, containing the information and acknowledgement required pursuant to paragraphs (1)(2), (3) and (4), to the extent not previously provided, or an update of such information if any material circumstances or facts have changed.
  - (iv) If and so long as the Dealer Member remains designated as being in an early warning category, it shall not without the prior written consent of the Corporation:
    - (1) Reduce its capital in any manner including by redemption, re-purchase or cancellation of any of its shares;
    - (2) Reduce or repay any indebtedness which has been subordinated with the approval of the Corporation;
    - (3) Directly or indirectly make any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company, affiliate or associate; or
    - (4) Increase its non-allowable assets (as specified by the Corporation) unless a prior binding commitment to do so exists or enter into any new commitments which would have the effect of materially increasing the non-allowable assets of the Dealer Member;
  - (v) If and so long as the Dealer Member remains designated as being in an early warning category it shall continue to file its monthly financial reports within the time specified pursuant to clause (2) of Rule 30.3(ii);
  - (vi) As soon as practicable after the Dealer Member is designated as being in an early warning category, the Corporation shall conduct an on-site review of the Dealer Member's procedures for monitoring capital on a daily basis and prepare a report as to the results of the review.

The Corporation shall also report monthly to the applicable District Council of the Corporation of the fact that a Dealer Member has been designated as being in an early warning category level 1 without naming the Dealer Member.

No Dealer Member shall enter into any transaction or take any action, as described in any of sub-clauses (1), (2), (3) or (4) of clause (iv) of this Rule 30.3 which, when completed, would have or would reasonably be expected to have the effect on the Dealer Member as described in any of paragraphs (a), (b), (c) or (d), without first notifying the Corporation in writing of its intention to do so and receiving the written approval of the Corporation prior to implementing such transaction or action.

30.4 LEVEL 2.

A Dealer Member shall be designated in early warning level 2 if at any time:

**Liquidity**

Its early warning excess is a negative number; or

**Capital**

Its risk adjusted capital is less than 2% of total margin required; or

**Profitability**

1. The quotients obtained by dividing each of
  - (a) Risk adjusted capital as at the date of calculation; and
  - (b) Risk adjusted capital as at the end of the preceding month,  

By the average of the net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the six month periods ending with (i) the current month and (ii) the preceding month, respectively, where such average is a loss, are
  - (c) Both less than three, or
  - (d) The quotient obtained by using the number in paragraph (b) as a divisor is greater than or equal to three but less than six, and the quotient obtained by using the number in paragraph (a) is less than three, or
2. The risk adjusted capital at the date of calculation is less than three times the net loss (as defined above) for the current month; or
3. The risk adjusted capital at the time of calculation is less than the total net profit or loss (as defined above) for the three months ending with the current month; or

**Discretionary**

The condition of the Dealer Member, in the sole discretion of the Corporation, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the Dealer Member is a new Dealer Member or the Dealer Member has been late in any filing or reporting required pursuant to the Rules.

**Frequency**

1. It has been designated in an early warning level (any combination of levels 1 and 2) three or more times in the preceding six months; or
2. It has been designated in early warning level 1 under the Profitability criteria and at the time has been designated in early warning level 1 under either the Liquidity or Capital criteria.

30.5 If the Dealer Member is designated as being in early warning level 2, the following provisions shall apply in addition to the provisions of Rule 30.3 which shall continue to apply except to the extent inconsistent with this Rule 30.5:

- (a) The chief executive officer and the chief financial officer of the Dealer Member shall immediately deliver to the Corporation a letter advising that the circumstances of this Rule 30.5 are applicable to the Dealer Member;
- (b) The Dealer Member shall file its monthly financial reports required pursuant to Rule 16.2 no later than 10 business days, or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant month;
- (c) The chief executive officer and the chief financial officer of the Dealer Member shall attend at the offices of the Corporation to outline the proposals of the Dealer Member for rectifying the problems which account for the Dealer Member being designated as being in early warning category Level 2;

- (d) The Dealer Member shall file a weekly capital report containing the same information required in a monthly financial report pursuant to Rule 16.2 no later than five business days or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant week;
  - (e) The Dealer Member shall file weekly on a form prescribed by the Corporation a report of its aged segregation deficiencies and an explanation of the actions proposed to be taken pursuant to Rule 2000.10 to correct such deficiencies;
  - (f) The Dealer Member shall prepare and file a business plan relating to the Dealer Member's business within such time, for such period and covering such matters as the Corporation may direct;
  - (g) The Corporation may request and the Dealer Member shall provide in such time as the Corporation considers practicable, such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the Corporation to assess and monitor the financial condition or operations of the Dealer Member;
  - (h) The Corporation shall report monthly to the applicable District Council of the Corporation of the fact that a Dealer Member has been designated as being in an early warning category level 2 and any restrictions imposed in respect to Rule 30.6 without naming the Dealer Member;
  - (i) The Dealer Member shall pay, at the discretion of the Corporation, the reasonable costs and expenses of the Corporation incurred in connection with the administration of this Rule 30 in respect of the Dealer Member;
  - (j) The amount of client's free credit balances permitted to be used by a Dealer Member pursuant to Rule 1200 may be reduced to such amount as the Corporation may in his or her opinion consider desirable.
- 30.6 The Corporation may impose prohibitions upon a Dealer Member who is designated, as being in Early Warning Category Level 2 pursuant to Part 9 of Rule 20.
- 30.7 The Corporation shall promptly advise any other participating institution of the Canadian Investor Protection Fund of which a Dealer Member is also a member of the fact that the Dealer Member has been designated as being in early warning category level 2, the reasons for such designation and any sanctions or restrictions that have been imposed upon the Dealer Member pursuant to Part 9 Rule 20 or Rule 19.
- 30.8 A Dealer Member shall remain designated as being in early warning level 1 or level 2, as the case may be, and subject to the provisions in this Rule 30 as are applicable, until the latest filed monthly financial reports of the Dealer Member, or such other evidence or assurances as may be appropriate in the circumstances demonstrate, in the opinion of the Corporation, that the Dealer Member no longer is required to be designated as being in an early warning category and the Dealer Member has otherwise complied with this Rule 30.

**RULE 100  
MARGIN REQUIREMENTS**

100.17.

- (a) For the purposes of this Rule 100.17 "repo" means an agreement to sell and repurchase securities, "reverse repo" means an agreement to purchase and resell securities and "securities loan" means a cash and securities loan agreement where cash is to be paid by or delivered to the Dealer Member as part of the transaction.
- (b) Notwithstanding the requirements of Form 1 to make any provision out of a Dealer Member's capital in respect of a repo, reverse repo or securities loan, where (i) the date of repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction, and (ii) the amount of any compensation, price differential, fee, commission or other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or percentage per annum or any other manner that does not vary until termination), the margin in respect of the obligation of the Dealer Member thereunder shall be determined in accordance with Rule 100.2(a)(i), provided that this paragraph (b) shall not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this Rule shall be an obligation to repurchase, resell or terminate the loan within five business days of the date the obligation is assumed. All calculations must be performed daily and shall make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.
- (c) Where a Dealer Member (i) has entered into a repo, reverse repo or securities loan described in paragraph (b) and in respect of which the time to the date of repurchase, resale or termination of the loan, as the case may be, is over one

year, and (ii) has an offsetting reverse repo, repo or securities loan denominated in the same currency and within the same margin category based on maturity, the two positions may be offset and the required margin computed with respect to the net position only.

- (d) Where a Dealer Member (i) has entered into a repo, reverse repo or securities loan described in paragraph (b) in respect of which the time to the date of repurchase, resale or termination of the loan is within one year, and (ii) has an offsetting reverse repo, repo or securities loan, as the case may be, denominated in the same currency and maturing within one year, the margin required shall be the difference between the margin on the two positions.

**RULE 200  
MINIMUM RECORDS**

200.1. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:

- (k) A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital. Such trial balances and computations shall be prepared currently at least once a month;
- (m) a record of the proof of money balances of all ledger accounts in the form of trial balances and record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end; and

**RULE 300  
AUDIT REQUIREMENTS**

300.2. The scope of the audit shall include the following procedures, but nothing herein shall be construed as limiting the audit or permitting the omission of any additional audit procedure which any Dealer Member's Auditor would deem necessary under the circumstances. For purposes of this regulation tests fall into two basic categories (as described in CICA Handbook section 5300.11 to 5300.21):

- (i) Specific item tests, whereby the auditor examines individual items which he or she considers should be examined because of their size, nature or method of recording (CICA Handbook Section 5300.13);
- (ii) Representative item tests, whereby the auditor's objective is to examine an unbiased selection of items (Section 5300.13).

The determination of an appropriate sample on a representative basis may be made using either statistical or non-statistical methods (CICA Handbook Section 5300.15).

In determining the extent of the tests appropriate in sub-sections (i), (ii), (iii) and (iv) of (a) below, the Dealer Member's Auditor should consider the adequacy of the system of internal control and the level of materiality appropriate in the circumstances so that in the auditor's professional judgment the risk of not detecting a material misstatement, whether individually or in the aggregate is reduced to an appropriately low level (e.g. in relation to the estimated risk adjusted capital and early warning reserves).

The Dealer Member's Auditor shall:

- (a) As of the audit date:
  - (vii) Obtain written confirmation with respect to the following:
    - (2) Money, security positions and open commodity and option contracts including deposits with clearing houses and like organizations and money and security positions with mutual fund companies;

**RULE 400  
INSURANCE**

- 400.1. Mail Insurance - Every Dealer 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 Corporation may exempt a Dealer Member from the requirements of Rule 400.1 if the Dealer Member delivers a written undertaking to the Corporation that it will not use registered mail for out-going shipments of securities.
- 400.2. Financial Institution Bond - Every Dealer Member shall, by means of a Financial Institution Bond or Bonds (with Discovery Rider attached or Discovery Provisions incorporated in the Bond), effect and keep in force insurance against losses arising as follows:
- Clause (A) - Fidelity - Any loss through any dishonest or fraudulent act of any of its employees, committed anywhere and whether committed alone or in collusion with others, including loss of property through any such act of any of the employees;
- Clause (B) - On Premises - Any loss of money and securities or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit, as more fully defined in the Standard Form of Financial Institution Bond (herein referred to as the "Standard Form");
- Clause (C) - In Transit - Any loss of money and securities or other property (exceptions to be contained in a list to be approved by the Corporation); while in transit, whether negotiable or non-negotiable, shall be covered by insurance. The value of securities in transit in the custody of any employee or any person acting as a messenger shall not at any time exceed the protection provided under this clause;
- Clause (D) - Forgery or Alterations - Any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities, as more fully defined in the Standard Form;
- Clause (E) - Securities - Any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments, as more fully defined in the Standard Form.
- 400.3. Notice of Termination - Each Financial Institution Bond maintained by a Dealer Member shall contain a rider containing provisions to the following effect:
- (i) The underwriter shall notify the Corporation at least 30 days prior to the termination or cancellation of the Bond, except in the event of termination of the Bond due to:
- (A) The expiration of the Bond period specified;
- (B) Cancellation of the Bond as a result of the receipt of written notice from the insured of its desire to cancel the Bond;
- (C) The taking over of the insured by a receiver or other liquidator, or by provincial, federal or state officials, or
- (D) Taking over of the insured by another institution or entity.
- (ii) In the event of termination of the Bond as an entirety in accordance with clauses (i)(B), (i)(C) or (i)(D), the underwriter shall, upon becoming aware of such termination, give immediate written notice of the termination to the Corporation. Such notice shall not impair or delay the effectiveness of the termination.
- 400.3B. Termination or Cancellation - In the event of the take-over of a Dealer Member by another institution or entity as described in paragraph 400.3(a)(i)(D), the Dealer Member shall ensure that there is bond coverage which provides a period of twelve months from the date of such take-over within which to discover the losses, if any, sustained by the Dealer Member prior to the effective date of such take-over and the Dealer Member shall pay, or cause to be paid, any applicable additional premium.
- 400.4. Amounts Required - The minimum amount of insurance to be maintained for each Clause under Rule 400.2 shall be the greater of:

- (a) \$500,000, or, in the case of an Introducing Type 1 arrangement, \$200,000; and
- (b) 1% of the base amount (as defined herein), or in the case of Introducing Types 1 and 2 arrangements, ½% of the base amount;

provided that for each Clause such minimum amount need not exceed \$25,000,000.

For the purposes of this Rule 400, the term "base amount" shall mean the greater of:

- (i) The aggregate of net equity for each customer determined as the total value of cash, securities, and other acceptable property (as defined in Schedule 10 of Form 1) owed to the customers by the Dealer Member less the total value of cash, securities, and other acceptable property (as defined in Schedule 10 of Form 1) owed by the customers to the Dealer Member; and
- (ii) The aggregate of total liquid assets and total other allowable assets of the Dealer Member determined in accordance with Statement A of Form 1.

400.5. Provisos with respect to Rules 400.2, 400.3 and 400.4:

- (a) Repealed.
- (b) The amount of insurance required to be maintained by a Dealer Member shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement;
- (c) Should there be insufficient coverage, a Dealer Member shall be deemed to be complying with Rule 17.5 and this Rule 400 provided that any such deficiency does not exceed 10 percent of the insurance requirement and that evidence is furnished within two months of the dates of completion of the monthly financial report and the annual audit that the deficiency has been corrected. If the deficiency is 10% or more of the insurance requirement, action must be taken by the Dealer Member to correct the deficiency within 10 days of its determination and the Dealer Member shall immediately notify the Corporation;
- (d) Insurance against Clause (E) of Rule 400.2 losses (Securities) may be incorporated in the Financial Institution Bond or may be carried by means of a Rider attached thereto or by a Separate Securities Forgery Bond;
- (e) A Financial Institution Bond maintained pursuant to Rule 400.2 may contain a clause or rider stating that all claims made under the bond are subject to a deductible;
- (f) For the purposes of calculating insurance requirements, no distinction is to be made between securities in non-negotiable form and those in negotiable form.

400.6. Qualified Carriers - Insurance required to be effected and kept in force by a Dealer Member pursuant to this Rule 400 may be underwritten directly by either (i) an insurer registered or licensed under the laws of Canada or any province of Canada or (ii) any foreign insurer approved by the Corporation. No foreign insurer shall be approved by the Corporation unless the insurer has the minimum net worth required of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection and the Corporation is satisfied that the insurer is subject to supervision by regulatory authorities in the jurisdiction of incorporation of the insurer which is substantially similar to the supervision of insurance companies in Canada.

400.7. Global Financial Institution Bonds - Where the insurance maintained by a Dealer Member in respect of any of the requirements under this Rule 400 names as the insured or benefits the Dealer Member, together with any other person or group of persons, whether within Canada or elsewhere, the following must apply:

- (a) The Dealer Member shall have the right to claim directly against the insurer in respect of losses, and any payment or satisfaction of such losses shall be made directly to the Dealer Member; and
- (b) The individual or aggregate limits under the policy may only be affected by claims made by or on behalf of
  - (i) The Dealer Member,
  - (ii) Any of the Dealer Member's subsidiaries whose financial results are consolidated with those of the Dealer Member, or
  - (iii) A holding company of the Dealer Member provided that the holding company does not carry on any business or own any investments other than its interest in the Member

without regard to the claims, experience or any other factor referable to any other person

**RULE 800  
TRADING AND DELIVERY**

**General**

- 800.1. Unless otherwise stated this Rule 800 shall apply to all Dealer Members and to members of other associations subscribing to the Corporation's Trading and Delivery Rules (hereinafter sometimes called "dealers").
- 800.2. Dealer Members will not become or continue as members of any trading organization or association formed as kindred to the bond business and domiciled in Canada unless such an association has as part of its constitution or regulations an agreement by all its members to concur in and observe the Rules for trading and delivery practices of the Corporation.
- 800.3. Clearing days are defined as being all business days, except Saturdays and statutory or other legal holidays.
- 800.4. In this Rule 800 "dealt in" and words of similar import refer to transactions in securities between dealers.
- 800.5. All securities having interest payable as a fixed obligation shall be dealt in on an "accrued interest" basis until maturity or a default in such payment either occurs or is announced by the debtor, whichever is the earlier event. This Rule 800.5 may be abrogated from time to time in specific cases where common practice and expediency prompt such action; due notice of such special instances to be given to all Dealer Members.
- 800.6. Sales made of securities prior to actual default or official announcement as specified in Rule 800.5, but undelivered at the time of default or such announcement, shall be dealt in on an "accrued interest" basis in accordance with the terms of the original transaction.
- 800.7. Subsequent to default or official announcement as specified in Rule 800.5, the securities shall be dealt in on a flat basis with all matured and unpaid coupons attached, until such time as all arrears of interest have been paid and one current coupon has been paid when due.
- 800.8. Transactions in bonds having coupons payable out of income, if, as and when earned, shall all take place upon a flat basis. Any matured and unpaid income coupons must be attached. Income bonds which have been called for redemption, should continue to be traded on a flat basis even after the call date has been published.
- 800.9. When transactions occur in bonds the issuers which have been subject to reorganization or capital adjustment with the result that holders have received as a bonus or otherwise, certain stock or scrip then such transactions shall be ex stock or scrip, unless otherwise stated at the time the trade is made. Such bonds shall be traded flat until such time as all arrears have been paid and one current coupon has been paid when due, except where the Board of Directors shall determine otherwise.
- 800.10. No security, with the exception of a new issue at take down date, shall be registered in the name of the customer or his or her nominee prior to the receipt of payment. The absorption by a Dealer Member of bank or other charges incurred by a customer or his or her nominee for the registration of a security will be considered an infraction of this Rule. A Dealer Member may absorb transfer fees incurred in the transfer of a security after payment according to a customer's instructions.
- 800.11. Dealer Members will not deal, either directly or indirectly, with or for the personal account of any employee of other Dealer Members without the written consent of a director or partner of the employee's firm.
- 800.12. Dealer Members, for the purpose of communication between themselves, will be responsible for the payment of their own telephone charges and send only prepaid telegrams.
- 800.13. No transaction with a client which involves an agreement to purchase or repurchase a security, an agreement to sell or resell a security or the granting of a put, call or similar option involving a security shall be entered into unless all terms relevant to the transaction are stated in writing on the face of the contract. (If necessary, part of such terms may be set forth on an additional page attached to the contract provided that they are referred to on the face of the contract.)
- 800.14. Should any Dealer Member be in doubt as to whether a specific type of transaction is forbidden under this Rule 800, it is recommended that he or she secure a ruling on a similar hypothetical case from the Chair of his or her District.

800.15. The purpose of these Rules is to spell out as far as practical what can be done under these Rules without breaking the letter or the spirit of them. It is common knowledge that there are innumerable ways of circumventing the purposes of the Rules, but any such method so adopted can only be considered a direct contravention of the letter and spirit of these Rules and contrary to fair business practice.

**Trading**

(Whether as Principal or Agent)

800.16. All transactions, except sale and repurchase agreements, involving bonds and debentures on which interest is a fixed obligation shall be treated on an accrued interest basis.

800.17. Repealed.

800.18. Repealed.

800.19. Unless prefixed by some qualifying phrase, a Dealer Member calling a market shall be obliged to trade Trading Units (as hereinafter defined) if called upon to trade.

800.20. Any Dealer Member asking the size of a stated market must be prepared to buy or sell at least a Trading Unit (as hereinafter defined) at the price quoted if immediately requested to do so by the Dealer Member calling the market.

800.21. Trading Units shall consist of the following:

- (a) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term of less than one year to maturity (or to the earliest call date, where the transaction is completed at a premium): \$250,000 par value;
- (b) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term of one year or longer but three years or less to maturity (or to the earliest call date, where the transaction is completed at a premium): \$100,000 par value;
- (c) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term to maturity of longer than three years (where the bond is traded at a premium, the earliest call date shall be treated as the maturity date): \$100,000 par value;
- (d) In the case of bonds, debentures and other obligations of or guaranteed by a province in Canada: \$25,000 par value;
- (e) In the case of all other bonds and debentures other than Government of Canada direct obligations and Government of Canada Guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada: \$25,000 par value;
- (f) In the case of bonds, convertible debentures or debentures issued with attached stock warrants, rights or other appendages and traded in unit form: \$5,000 par value of bonds or debentures, irrespective of the value of the appendages;
- (g) In the case of common and preferred shares not listed on a recognized stock exchange:
  - In lots of 500 shares, if market price is below \$1
  - In lots of 100 shares, if market price is at \$1 and below \$100
  - In lots of 50 shares, if market price is at \$100 or above.

For the purpose of this Rule 800 a recognized stock exchange means the American Stock Exchange, The TSX Venture Exchange, the Montreal Exchange, the New York Stock Exchange and The Toronto Stock Exchange.

800.22. Any amount less than one Trading Unit shall be considered as an odd lot and any Dealer Member who has been requested to call a market has the option to trade an odd lot at the called market (if so requested) or to adjust his market to compensate for the smaller amount involved.

- 800.23. Rules 800.19, 800.20, 800.21 and 800.22 shall not apply to dealings in the Pacific, Alberta, Saskatchewan, Manitoba or Atlantic Districts or to dealings between the said Districts. They shall apply to all dealings in the Ontario and Quebec Districts and to all dealings between the Ontario and/or Quebec Districts and any other District or Districts.
- 800.24. Unless otherwise stated at the time of the transaction, all trades are to be considered for regular delivery.
- 800.25. When a deal involves the sale of more than one maturity or the purchase of more than one maturity, the deal covering each maturity shall be treated as a separate transaction. No contingent (all or none) dealings are permitted.
- 800.26. In trading securities which are dealt in both as actual bonds, debentures, or other forms of securities and as certificates of deposit, and in the absence of an existing ruling making them interchangeable for delivery, delivery shall be made in the form of actual securities unless it is stipulated at the time of the transaction that they are (a) certificates of deposit, or (b) unspecified; in the latter case, either actual securities or certificates of deposit or mixed, shall be good delivery.

**Delivery**

- 800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:
- (a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;
  - (b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;
  - (c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the third clearing day after the transaction takes place;
  - (d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;  
  
Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;
  - (e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;
  - (f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (g), "commitment period" means the period from the third clearing day before month-end to the first clearing day on or before the eleventh calendar day of the following month, inclusive.
- 800.28. All transactions between Dealer Members doing business in different municipalities are to be completed on buyers' terms, i.e. delivery to be made free of banking and/or shipping charges to the buyer. Where drafts are drawn to arrive at their destination on other than a clearing day, the seller is entitled to have charges paid up to the next clearing day after the expected arrival of such draft.
- 800.29. In the case of dealings between Dealer Members in the same municipality, physical delivery by the seller should be completed before 5:30 p.m. on a clearing day, except for dealings between Participants, as defined in Rule 800.30A, which shall be settled in accordance with the rules of the applicable Settlement Service.
- 800.30. For the purpose of this Rule 800 and subject to any other Rule or Ruling expressly providing otherwise, good delivery between Dealer Members shall consist of the following, provided it is acceptable to the relevant transfer agent:

**(a) Bonds/Debentures**

Good delivery may consist of bearer bonds/debentures or registered bonds/debentures.

Bonds and/or debentures that are dealt with in registered form shall be good delivery if:

- (i) Registered in the name of an individual, duly endorsed and with endorsement guaranteed by a Dealer Member in good standing of the Corporation or a recognized stock exchange, or by a chartered bank or qualified Canadian trust company;
- (ii) Registered in the name of a Dealer Member or nominee of a Dealer Member and duly endorsed;
- (iii) Registered in the name of a member of a recognized stock exchange and duly endorsed;
- (iv) Registered in the name of a chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified trust company and duly endorsed;
- (v) In denominations as indicated below duly endorsed or with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate in question or an amalgamated Power of Attorney if acceptable to receiving broker or dealer.)

In all cases, endorsement guarantees acceptable to the relevant registrars and transfer agents must be procured by the seller and accompany delivery.

Interim certificates shall be considered good delivery as long as definitive certificates are not available. Once definitives are available, interims shall not be considered good delivery, unless by mutual agreement.

Bonds and debentures up to a maximum denomination of \$100,000 par value shall constitute good delivery.

Denominations other than those specified above constitute good delivery only if acceptable to the buyer.

**(b) Stocks**

(i) Certificates registered in the name of:

- (1) An individual, endorsed by the registered holder in exactly the same manner as registered and the endorsement guaranteed by a Dealer Member or by a member of a recognized stock exchange or by a chartered bank or qualified Canadian trust company; Where the endorsement does not exactly correspond to the registration shown on the face of the certificate, a certification by a Dealer Member or by a member of a recognized stock exchange that the two signatures are those of one and the same person or by a chartered bank or qualified Canadian trust company;
- (2) A Dealer Member or a member of a recognized stock exchange or a nominee of either and duly endorsed;
- (3) A chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified Canadian trust company and duly endorsed by a Dealer Member;
- (4) Any other manner providing it is properly endorsed and the endorsement is guaranteed by a Dealer Member or by a member of a recognized stock exchange or by a chartered bank or qualified Canadian trust company; and

(ii) Certificates in board lot denominations (or less) as required by the exchange on which the stock is traded.

Unlisted stocks should also be in denominations similar to listed stocks in the same category and price range.

- (c) For the purpose of this Rule 800 "qualified Canadian trust company" means a trust company licensed to do business in Canada with a minimum paid up capital and surplus of \$5,000,000.

800.30A. For the purposes of Rule 800:

"CDS" means The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée;

"Participant" means a participant in a Settlement Service;

"Settlement Service" means a securities settlement service made available by CDS.

800.30B. Dealer Members who are Participants shall report all trades between Participants of securities to which a Settlement Service applies in accordance with the procedures of the applicable Settlement Service.

#### Delivery through CDS

800.30C. Good delivery of securities between Dealer Members which are Participants and any other Participants may be made by entries in the records maintained by CDS.

All trades between Participants in securities to which a Settlement Service applies shall be settled through such Settlement Service unless both the deliverer and the receiver have agreed otherwise.

800.30D.

(a) For the purpose of this Rule 800.30D:

- (i) "**Dealer Member User**" means a Dealer Member which is a party to a nominee facility agreement;
- (ii) "**Dealer Member Non-user**" means a Dealer Member, which is not a party to a nominee facility agreement;
- (iii) "**Non-member User**" means a corporation, firm, person or other entity, which is not a Dealer Member and is a party to a nominee facility agreement;
- (iv) "**Non-member Non-user**" means a corporation, firm, person or other entity, which is not a Dealer Member and is not a party to a nominee facility agreement;
- (v) "**Nominee Facility Agreement**" means an agreement in writing in a form satisfactory to the Corporation whereby The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée, the TSX Venture Exchange or any other person approved by the Corporation provides for the issuing of a nominee certificate evidencing an eligible security of an issuer;
- (vi) "**Issuer**" means an issuer of securities designated by the Corporation as an issuer for the purpose of this Rule 800.30D;
- (vii) "**Eligible Security**" means a security of an issuer designated by the Corporation as an eligible security for the purpose of this Rule 800.30D;
- (viii) "**Nominee Certificate**" means a certificate issued by or on behalf of an issuer in respect of an eligible security in the name of a facility nominee in a form and manner satisfactory to the Corporation;
- (ix) "**Facility Nominee**" means a nominee appointed by The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée or the TSX Venture Exchange or any other nominee, any of which nominees shall have been approved by the Corporation for the purposes and on the terms and conditions prescribed by the Corporation.

(b) Notwithstanding any other Rule relating to the delivery or good delivery of securities, but subject to Rule 800.30C, good delivery in eligible securities of an issuer,

- (i) Between Dealer Member users and between Dealer Member users and non-Dealer Member users shall only be by nominee certificates except that, if a delivering non-Dealer Member user is a chartered bank or trust company licensed or registered to do business in Canada or a province thereof, good delivery may also be by certificates registered in the name of the delivering chartered bank or trust company or their respective nominees, clients or a nominee of their clients (provided that a Dealer Member or a non-Dealer Member user other than a chartered bank or trust company shall not be a nominee) and shall otherwise comply with Rule 800;
- (ii) Between Dealer Member non-users and between delivering Dealer Member non-users and either non-Dealer Member users or non-Dealer Member non-users shall only be by certificates registered in the name of the receiving Dealer Member non-user, non-Dealer Member user or non-Dealer Member non-

user, as the case may be, its client or the client's nominee and shall otherwise comply with Rule 800, provided that, if the receiving non-Dealer Member user or non-Dealer Member non-user is the client of the delivering Dealer Member non-user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

- (iii) Between a delivering Dealer Member user and either a Dealer Member non-user or a non-Dealer Member non-user shall only be by certificates registered in the name of the receiving Dealer Member non-user or non-Dealer Member non-user, as the case may be, or their respective clients or their clients' nominees and shall otherwise comply with Rule 800 provided that, if the receiving non-Dealer Member non-user is the client of the delivering Dealer Member user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);
  - (iv) Between a delivering Dealer Member non-user and a Dealer Member user shall be by certificates registered in the name of the delivering Dealer Member non-user, its client or the client's nominee and shall otherwise comply with Rule 800.
- (c) Notwithstanding Rule 800.10, an eligible security may be registered by a Dealer Member in the name of, or in the name of a nominee of, a self-administered registered retirement savings plan registered under the Income Tax Act (Canada) prior to the receipt of payment therefore provided that the Dealer Member obtains an unconditional guarantee of payment by the trust company administering the plan prior to such registration.
- (d) Where delivery is made by certificates in the name of a receiving Dealer Member non-user, non-Dealer Member user, non-Dealer Member non-user or a client or the client's nominee in accordance with Rules 800.30D(b)(ii) or (iii), the delivering Dealer Member or Dealer Member non-user, as the case may be, shall be entitled to payment for such certificates immediately on its advising that the certificates are available for delivery, which advice may be subject to receipt of instructions as to registration and the effecting of registrations.

#### **Delivery through WCDTC**

800.30E. Repealed.

#### **Uniform Settlement**

800.31.

- (a) No Dealer Member shall accept an order from a customer pursuant to an arrangement whereby payment of securities purchased or delivery of securities sold is to be made to or by a settlement agent of the customer unless all of the following procedures have been followed:
  - (i) The Dealer Member shall have received from the customer prior to or at the time of accepting the order the name and address of the settlement agent and account number of the customer on file with the agent. Where settlement is made through a depository offering an identification number system for the clients of settlement agents of the depository, the Dealer Member shall have the client identification number prior to or at the time of accepting the order and use the number in the settlement of the trade;
  - (ii) Each order accepted from the customer pursuant to such an arrangement is identified as either a delivery or receipt against payment trade;
  - (iii) The Dealer Member provides to the customer a confirmation by electronic, physical, facsimile or verbal means of all relevant data and information required to be contained in a confirmation made pursuant to Rule 200 with respect to the execution of the trade, in whole or in part, as early as possible on the next business day following such execution, provided that the Dealer Member shall comply with the requirements of Rule 200 to the extent it has not done so pursuant to this clause (iii);
  - (iv) The Dealer Member has obtained an agreement from the customer that the customer will furnish its settlement agent with instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each such confirmation, or the relevant date and information as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will ensure that its settlement agent affirms the transaction no later than the next business day after the date of execution of the trade to which the confirmation relates;

- (v) The customer and its settlement agent shall utilize the facilities or services of a recognized securities depository for the affirmation and settlement of all depository eligible transactions through such facilities or services including book based or certificated settlement.
- (b) For the purposes of Rule 800.31(a)
  - (i) **"Recognized Securities Depositories"** shall be The Canadian Depository for Securities Limited;
  - (ii) **"Depository Eligible Transactions"** shall mean trades in securities in respect of which affirmation and settlement can be performed through the facilities or services of a recognized securities depository.
- (c) The provisions of paragraph (v) of Rule 800.31(a) shall not apply to trades:
  - (i) To be settled outside Canada; or
  - (ii) Where both the Dealer Member and the settlement agent are not participants in the same recognized securities depository or the same facilities or services of such depository required in respect of the trade.
- (d) The provisions of this Rule 800.31 including the exemptions referred to in paragraph (c) shall be the subject of periodic review by the Corporation on its own or in consultation with any stock exchange or other entity or association representing or having regulatory authority in the Canadian securities industry.

800.32. For the purpose of this Rule 800 delivery of a bond, debenture or stock certificate of the type described below shall not constitute good delivery:

- (a) A mutilated or torn certificate or coupon unless acceptable to receiving broker or dealer;
- (b) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt;
- (c) A certificate signed by a Trustee or Administrator unless accompanied by sufficient evidence of authority to sign;
- (d) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate or an amalgamated Power of Attorney if acceptable to receiving broker or dealer);
- (e) A certificate which has been altered or erased (other than by the Transfer Agent) whether or not such alteration or erasure has been guaranteed;
- (f) A certificate on which the assignment and/or substitute attorney has been altered or erased;
- (g) A certificate with the next maturing coupon or subsequent coupons detached unless where so traded or where a certificate cheque (if for \$1,000 or more) payable to the receiving Dealer Member, dated no later than the date of delivery and for the amount of the coupon(s) missing, is attached to the certificate in question;
- (h) A bond or debenture, registered as to principal only, which after being transferred to Bearer, does not bear the stamp and signature of the Trustee;
- (i) A registered bond, debenture or stock unless it bears a certificate that provincial tax has been paid where applicable;
- (j) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.

800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

- (a) Dealings made from two days prior to a regular interest payment up to three days prior to the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;

- (b) Dealings made from two days prior to the closing of the transfer books up to and including three days prior to a regular interest payment shall be "less interest" from settlement date to the regular interest payment date.
- 800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments two full business days prior to the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed prior to twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous.
- 800.35. Where interest on a transaction involves an amount greater than that represented by the half-yearly coupon, interest is to be calculated on the basis of the full amount of the coupon less one or two days, as the case may be.
- 800.36. Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, shall be completed on the basis of the original transaction. (Date of notice means the date of the notice of call irrespective of the date of publication of such notice.) Called securities do not constitute good delivery unless the transaction is so designated at its inception.
- 800.37. Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice shall be completed on the terms of the original transaction.
- 800.38. The seller shall, at all times, be required to pay, or certify that payment has been made of, all taxes relative to the transaction, sufficient to enable the buyer to have the securities transferred to his or her nominee without tax cost to him or her. This rule shall not apply as to provincial transfer taxes if the buyer, by choice, transfers the securities to a register outside his or her own province, if there is a register within his or her province.
- 800.39. For the purpose of Rules 800.40 to 800.44 a "regular delivery transaction" shall be deemed to have taken place once the dealers involved have agreed on a price.
- 800.40. In the case of dealings between Dealer Members in the same municipality, should delivery not be advised by 11:30 a.m. on the fourth clearing day after a regular delivery transaction takes place, the buyer may at his or her option, give written notice to the seller and to the Corporation on that day, or any subsequent clearing day, prior to 3:30 p.m., of his or her intention to buy in for cash on the second clearing day after the original notice. Such notice shall automatically renew itself from clearing day to clearing day from 11:30 a.m. until closing until the transaction is finally completed. If the buy-in is not executed on the second clearing day after the original notice, then the seller shall have the privilege of advising the buyer each subsequent day before 11:30 a.m. of his or her ability, and intention, to make either whole or partial delivery on that day.
- 800.41. Where transactions occur between Dealer Members located in different municipalities, should delivery not have been received by the buyer at the expiration of four clearing days after the transaction takes place, on or after the fourth clearing day, the buyer may serve the seller with a buy-in by forwarding notice thereof over a public telegraph wire system, such notice to be timed at the sender's point not later than noon to be effective the third clearing day following and also advise the Corporation. If, prior to 5 p.m. buyer's time the day following the wired notice, the seller has not advised the buyer by public telegraph wire that the securities covered by the buy-in have passed through his or her clearing and are in transit to the buyer, then the buyer may on the third clearing day following the wired notice, proceed to execute such buy-in. While such wired buy-ins shall automatically renew themselves from clearing day to clearing day, the seller shall, except with the consent of the buyer, forfeit all right to complete delivery of other than such portion of the transaction which is in transit by the day following the receipt of a wired buy-in.
- 800.42. Any Dealer Member who is bought in may demand evidence that a bona fide transaction has taken place involving delivery, and he or she shall have the right to deliver such part of his or her commitment as he or she is in a position to consummate to the nearest \$1,000 par value, or stock Trading Unit as defined in Rule 800.21, coincidental with, the execution of the buy-in and as provided for in the preceding paragraphs.
- 800.43. The Corporation shall have the authority to postpone the execution of a buy-in from day to day, and to combine buy-ins in the same security and to decide any dispute arising from the execution of the buy-in and his or her decision shall be final and binding.
- 800.44. When a buy-in has been completed the buyer shall submit to the seller a statement of account showing as credits the amount originally contracted for as payment for the securities, and as debits, the amount paid on buy-in, the cost of the buyer's wire and telephone charges relative to the buy-in, and any bank or shipping charges incurred. Any credit

balance remaining shall be paid to the seller by the buyer, and the seller shall be responsible for payment to the buyer of any remaining debit.

**Dividend Claims**

800.45. No Dealer Member shall make a certificate claim for dividends against another Dealer Member if the amount of such claim would be \$5.00 or less.

**Redemption Agents**

800.46. No Dealer Member shall in respect of debt securities of any maturity pay to a client the redemption price or other amount due on redemption of such securities which price or amount exceeds \$100,000 unless it shall first have received an amount equal to such price or other amount from the borrower or its agent by cheque certified by or accepted without qualification by a chartered bank (as defined in Rule 1.1) or payment has been received by or to the credit of the Dealer Member through the facilities of The Canadian Depository for Securities Limited or Depository Trust Company.

**800.47. When Issued Trading**

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

- (a) All when issued trades made prior to the second trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;
- (b) When issued trades on or after the second trading day before the anticipated date of issue of the security shall settle on the third settlement day after the trade date; and
- (c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued.

800.48. Accrued interest on trades in interest paying instruments which pay interest monthly shall be zero if the value date of the trade is an interest payment date. Otherwise, the accrued interest on such trades shall be calculated by multiplying the face amount of the instrument by the interest rate of the instrument and the number of days between the value date of the trade and the last interest payment date prior to the value date of the trade and dividing the result by twelve multiplied by the number of days between the next interest payment date after the value date of the trade and the last interest payment date prior to the value date of the trade.

**800.49. Acceptable broker-to-broker trade matching utility**

For each non-exchange trade, involving CDS eligible securities, executed by a Dealer Member with another Dealer Member, each Dealer Member must enter the trade into an Acceptable Trade Matching Utility or accept or reject any trade entered into an Acceptable Trade Matching Utility by another Dealer Member [within one hour of executing the trade.]

For purposes of this Rule 800.49, an "**Acceptable Trade Matching Utility**" shall be the Broker-To-Broker Trade Matching Utility developed as part of the CDSX development or any similar system approved by the Board of Directors of the Corporation.

**RULE 1100  
CALCULATING PRICE ON A YIELD BASIS**

1100.1. Except as herein provided, where a transaction results from the submission of a bid or offer on a yield basis without stipulation as to price or method of calculating the unexpired term by the buyer or seller at the time the bid or offer is submitted, the price shall be determined as follows:

- (a) Bonds Having Unexpired Term up to and Including 10 Years

The unexpired term shall be deemed to be the exact period expressed in years and/or years and months and/or in years, months and days from the regular delivery date to the maturity of a non-callable bond or a callable bond selling at a price lower than the call price, and to the first redemption date of a callable bond selling at the call price or at a premium over the call price. In calculating the price for the term so determined, one day shall be deemed to be 1/30th of one month;

(b) Bonds Having Unexpired Term Over 10 Years

The unexpired term shall be deemed to be the period expressed in years and/or years and months from the month in which the regular delivery date occurs to the month and year of the maturity of a non-callable bond or callable bond selling at a price lower than the call price, and to the first month and year that the bond is redeemable in the case of a callable bond selling at the call price or at a premium over the call price;

(c) Prices

In all transactions between dealers and customers determined in accordance with the foregoing, the prices shall be extended to three decimal places only. If the fourth figure after the decimal point is 5 or more the third figure after the decimal point shall be increased by one;

(d) New Issues

This Rule shall apply to dealing in new issues and the unexpired term shall be deemed to commence on the date to which accrued interest is charged to the customer.

1100.2. Rule 1100.1 shall not apply to transactions in the following securities, all dealings in which shall be subject to negotiation of the dollar price:

(a) Government of Canada Bonds and Bonds guaranteed by Canada;

(b) Short-term securities as noted hereunder:

(i) Securities which have an unexpired term of six months or less to maturity;

(ii) Securities which have an unexpired term of six months or less to the call date and are selling at the call price or at a premium over the call price;

(iii) Securities which have been called for redemption;

(c) Securities callable on future dates at varying prices;

(d) Securities callable at the option of the obligant where the call date is not stipulated and the securities are selling at a premium over the call price.

1100.3. Bond quotations furnished to the press by any Dealer Member must be under the name of the Corporation.

**RULE 1200  
CLIENTS' FREE CREDIT BALANCES**

1200.1. For the purposes of this Rule 1200, "free credit balances" shall mean:

(a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of (i) the market value of short positions, and (ii) margin as required pursuant to the Rules on those short positions; and

(b) For commodity accounts - the credit balance less an amount equal to the aggregate of (i) margin required to carry open futures contracts and/or futures contract option positions, (ii) less any equity in such contracts, (iii) plus any deficits in such contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

1200.2. Each Dealer Member which does not keep its clients' free credit balances segregated in trust for clients in an account with an acceptable institution separate from the other monies from time to time received by such Dealer Member shall legibly make a notation on all statements of account sent to its clients in substantially the following form:

Any free credit balances represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business.

1200.3. No Dealer Member shall use in the conduct of its business clients' free credit balances in excess of the aggregate of the following amounts:

(a) Eight times the net allowable assets of the Dealer Member; plus

(b) Four times the early warning reserve of the Dealer Member.

Each Dealer Member shall hold an amount at least equal to the amount of clients' free credit balances in excess of the foregoing either (a) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or (b) segregated and separate and apart as the Dealer Member's property in bonds, debentures, treasury bills and other securities with a maturity of less than one year 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 Basle Accord).

- 1200.4. Dealer Members shall determine at least weekly the amounts required to be segregated in accordance with Rule 1200.3.
- 1200.5. Dealer Members shall review on a daily basis compliance with Rule 1200.3 against the latest determination under this Rule 1200 of amounts to be segregated with a view to identifying and correcting any deficiency in amounts of free credit balances to be segregated.
- 1200.6. In the event that a deficiency exists in amounts of free credit balances required to be segregated by a Dealer Member, the Dealer Member shall expeditiously take the most appropriate action to rectify the deficiency.

**RULE 1400**

**DISCLOSURE TO CLIENTS OF MEMBERS' FINANCIAL CONDITION AND OTHER INFORMATION**

1400.1. Each Dealer Member shall make available to its clients, on request, a statement of its financial condition as of the close of its latest financial year and based on the latest annual audited financial statements, provided that in order to prepare such statement, the Dealer Member shall have 75 days from the close of such financial year. The term "client", as used in this Rule 1400, shall mean any person who has had a transaction with a Dealer Member within one year of the day on which a request for a statement of financial condition is made.

1400.2. Any statement of financial condition published in a newspaper or other medium in Canada shall be in the same form and of the same substance as the statement made available to clients.

1400.3. The statement of financial condition shall contain information such as the following or similar headings for items which are material:

**Current Assets**

Cash

Receivables from brokers and dealers

Receivables from customers

Inventory of securities at the lower of cost or market value or at market value (state basis of valuation)

**Miscellaneous Accounts Receivable**

**Other Assets (state basis of valuation)**

Investment in subsidiary and affiliated companies

Fixed assets

**Current Liabilities**

Call loans and bank overdrafts

    Payable to brokers and dealers

    Payable to customers

Accounts payable, accrued expenses and income taxes

Securities sold short at the higher of cost or market value or at market value (state basis of valuation)

**Capital in the Business**

Shareholders' equity (including subordinated loans and retained earnings)

Partners' equity

1400.4. Where the accounts of a Dealer Member are included in the consolidated financial statements of any holding company or affiliate of the Dealer Member which are published in a newspaper or other medium in Canada and the holding company, related company or affiliate has a name similar to that of the Dealer Member, either

(a) The consolidated financial statement shall be accompanied by a note indicating that the entity to which the consolidated statements relate is neither a Dealer Member of the Corporation nor of any other recognized self-regulatory organization and that, while the statements include the accounts of the Dealer Member, the consolidated statements are not the financial statements of the Dealer Member; or

(b) The Dealer Member shall, contemporaneously with the publication, send to each of its clients the unconsolidated statement of financial condition of the Dealer Member together with a letter explaining why such statement is being sent.

1400.5. The statement of financial condition shall be accompanied by a report by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member.

1400.6. Each Dealer Member shall make available to its clients, on request, a current list of the names of its partners or its directors and senior officers made up as of a recent date.

1400.7. Each Dealer Member shall indicate to its clients on each statement of account or in such other manner as may be approved by the Corporation that the statement of financial condition and list of partners, directors and senior officers are available upon request.

**RULE 2000**  
**SEGREGATION REQUIREMENTS**

**Acceptable External Locations**

- 2000.1. For the purposes of Rule 17.3 and Rule 17.3A, securities held beyond the physical possession of the Dealer Member may be segregated and held in trust for customers of a Dealer Member, or segregated and held by or for a Dealer Member, as the case may be, in acceptable securities locations, provided that the written terms upon which such securities are deposited and held beyond the physical possession of the Dealer Member include provisions to the effect that
- (a) No use or disposition of the securities shall be made without the prior written consent of the Dealer Member;
  - (b) Certificates representing the securities can be delivered to the Dealer Member promptly on demand or, where certificates are not available and the securities are represented by book entry at the location, the securities can be transferred either from the location or to another person at the location promptly on demand; and
  - (c) The securities are held in segregation for the Dealer Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the depository or institution holding such securities.

**Acceptable Internal Locations**

- 2000.2. For the purposes of Rules 17.3 and 17.3A, the securities held within the physical possession or control of the Dealer Member may be segregated and held in trust for clients of the Dealer Member, or segregated and held by or for the Dealer Member, as the case may be, in the following prescribed locations:

**(a) Internal Storage**

All internal storage locations designated in the Dealer Member's ledger of accounts for which adequate internal accounting controls and systems for safeguarding of securities held for clients are maintained and which reflect unencumbered security positions in the possession and control of the Dealer Member.

All securities in transit between internal storage locations, for which adequate internal controls are maintained, provided that securities in transit for more than five (5) business days may not be considered as being in the possession and control of a Dealer Member for purposes of segregation.

**(b) Transfer Locations**

All securities which are in the process of being transferred by a registered or recognized transfer agent.

If such securities are with transfer agents in Canada and have not been received within twenty (20) business days of delivery, the Dealer Member shall obtain a confirmation of the position receivable from the transfer agent. If such position remains unconfirmed after forty-five (45) business days of delivery, the Dealer Member must transfer the position to its difference account.

If such securities are with transfer agents in the United States, the Dealer Member must confirm the receivable after forty-five (45) business days of delivery and transfer the position to its difference account after seventy (70) business days of delivery if the position has not been confirmed. If such securities are with transfer agents outside Canada and the United States, the Dealer Member must confirm the receivable after seventy (70) business days of delivery and transfer the position to its difference account after one hundred (100) business days of delivery if the position has not been confirmed.

If the positions represented by such securities are required to be transferred to the Dealer Member's difference account, such securities shall not be considered to be in the possession and control of the Dealer Member for the purposes of segregation.

**Non-Negotiable Securities**

- 2000.3. Securities which are restricted or which are non-negotiable or which cannot be made fully negotiable solely by signature or guarantee of the Dealer Member shall be deemed not to be segregated unless such securities are registered in the name of the client (or the name of a person required by the client) on whose behalf they are being held in an acceptable segregation location.

## Bulk Segregation Calculation

2000.4.

- (a) A Dealer Member, which holds securities of clients in bulk segregation in accordance with Rule 17.3, shall determine, for all accounts of each client, the following amounts:
- (i) The quantity of all securities held for such accounts which are part of a qualifying hedge position;
  - (ii) The net loan value of all securities held for such accounts, other than securities referred to in subparagraph (i), minus (or plus in the case of a credit) the aggregate debit cash balance in the accounts; and
  - (iii) The market value of all securities, other than securities referred to in subparagraph (i), not eligible for margin under Rule 100 minus the aggregate amount, if any, by which such accounts are under-margined as calculated in subparagraph (ii).

Amounts defined in subparagraphs (ii) and (iii) shall represent the net loan value or market value, as the case may be, of securities required to be segregated by the Dealer Member in respect of such accounts. The amount of securities required to be segregated by a Dealer Member shall not, in any case, be greater than the market value of the securities held for such accounts.

- (b) For the purposes of this Rule 2000.4, net loan value of a security means, in respect of:
- (i) A long position, the market value of the security less any margin required;
  - (ii) A short position, the market value of the security plus any margin required expressed as a negative number; and
  - (iii) A short security option position, any margin required as a negative number.
- (c) For the purposes of this Rule 2000.4, a qualifying hedge position means, for all the accounts of each client:
- (i) A long position in a security; and
  - (ii) A short position in a security issued or guaranteed by the same issuer of the security referred to in subparagraph (i);
- where
- (iii) The long position is convertible or exchangeable to the securities of the same class and number of the securities held in the short position; and
  - (iv) The Dealer Member is using the long position as collateral to cover the short position.

2000.5. A Dealer Member may satisfy its obligations to segregate client securities under Rule 17.3 by segregating in bulk for all clients the number of securities determined as follows:

**(a) Equity securities**

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined under Rule 2000.4 divided by the loan or market value, as the case may be, of one unit of the security, shall be the number of such securities required to be segregated.

**(b) Debt securities**

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined under Rule 2000.4 divided by the loan or market value, as the case may be, of each \$100 of principal amount of the security, multiplied by 100 and rounded to the lowest issuable denomination, shall be the principal amount of such securities required to be segregated.

In determining which securities shall be used to satisfy the segregation requirements in respect of each such client's positions, the Dealer Member may select among all of the securities carried for the client's accounts, subject to the

restrictions of any applicable securities legislation including, without limitation, a requirement that fully-paid securities in a cash account be segregated before unpaid securities.

Securities which are required to be segregated but which have been sold by the Dealer Member on behalf of a client shall remain segregated until one business day prior to settlement or value date. Securities which are required to be segregated for a client shall not be removed from segregation as a result of the purchase of any securities by such client until settlement or value date.

### **Frequency and Review of Calculation**

2000.6. A Dealer Member shall determine at least twice weekly the securities required to be segregated according to the calculations set out in Rules 2000.4 and 2000.5.

2000.7. Each Dealer Member shall review on a daily basis compliance with its segregation requirements for its clients' securities according to the latest determination of such securities pursuant to Rule 2000.6 with a view to identifying any deficiency in securities required to be segregated and correcting any such deficiency.

### **General Restrictions**

2000.8. In complying with its obligation to segregate client securities in accordance with Rules 17.3 and 2000, each Dealer Member shall ensure that:

- (a) A segregation deficiency is not knowingly created or increased;
- (b) No securities held by the Dealer Member are delivered against payment for the account of any client if such securities are required to satisfy the segregation requirements of the Dealer Member in respect of any client;
- (c) All free securities (i.e. fully paid and unencumbered securities which have not been sold or are not required for margin) received by the Dealer Member shall be segregated.

### **Correction of Segregation Deficiencies**

2000.9. In the event that a segregation deficiency exists, including (without limitation) deficiencies arising in the circumstances listed below, the Dealer Member shall expeditiously take the most appropriate action required to settle the segregation deficiency.

#### **Call loans:**

The Dealer Member shall take action to recall such securities within the business day following the determination of the deficiency.

#### **Securities loans:**

The Dealer Member shall call for the return of such securities from the borrower within the business day following the determination of the deficiency or shall borrow securities of the same issue to cover the deficiency and should such securities not have been received by the Dealer Member within five (5) business days following the determination of the deficiency, the Dealer Member shall undertake to buy-in the borrower.

#### **Inventory or Trading Account Short Positions:**

The Dealer Member shall borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or shall undertake to purchase the securities immediately.

#### **Client Declared Short Sales:**

The Dealer Member shall borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or shall undertake to buy-in the securities within five (5) business days.

#### **Fails - Client, Dealer Members, Acceptable Institutions or Acceptable Counterparties:**

If such securities have not been received by the Dealer Member within fifteen (15) business days of the settlement date, the Dealer Member shall borrow securities of the same issue to cover the deficiency or shall undertake to buy-in the securities.

**Stock Dividends Receivable and Stock Splits:**

If such securities have not been collected within forty-five (45) business days of the date receivable, the Dealer Member shall obtain a written confirmation of the position receivable. If such position remains unconfirmed after the aforementioned forty-five (45) business days, the Dealer Member must transfer the position to its difference account.

**Difference Accounts:**

Each Dealer Member shall maintain a difference or suspense account in which shall be recorded all securities which have not been received by reason of irreconcilable differences or errors in any accounts. If securities recorded in a difference account have not been obtained by the Dealer Member within thirty (30) business days of the deficiency being recorded, the Dealer Member shall borrow securities of the same class or series to cover the deficiency or shall undertake to purchase the securities immediately.

**RULE 2200  
CASH AND SECURITIES LOAN TRANSACTIONS**

2200.1. For the purposes of this Rule 2200:

“Overnight Cash Loan Agreements” means oral or written agreements whereby a Dealer Member deposits cash with another Dealer Member for a period not exceeding two (2) business days.

“Schedule I Bank” means a Schedule I bank pursuant to the Bank Act (Canada) that has a capital and reserves position of one billion (\$1,000,000,000) or more at the time of the securities loan transaction.”

2200.2. Any cash and securities loan agreement, other than an overnight cash loan agreement, shall be in writing and, at minimum, shall provide:

- (a) For the rights of either party, in addition to any other remedies provided in the agreement or which a party may have under any applicable law, to retain and realize on the securities delivered to it by the other party in respect of the loan on the occurrence of an event of default in respect of the other party;
- (b) For events of default;
- (c) For the treatment of the value of securities or collateral held by the non-defaulting party that is in excess of the amount owed by the defaulting party;
- (d) Either:
  - (i) For provisions enabling the parties to set off their debts; or
  - (ii)
    - (A) For provisions enabling the parties to effect a secured loan and, in particular, for the continuous segregation by the lender of securities held by it as collateral for the loan; and
    - (B) If the parties intend to effect a secured loan, where there is available to the lender more than one method of perfecting its security interest in the collateral, the lender must perfect such interest in a manner that provides it with the higher priority in a default situation; and
- (e) If the parties intend to rely on set off or effect a secured loan, for the securities borrowed and the securities loaned to be, pursuant to applicable legislation, free and clear of any trading restrictions and duly endorsed for transfer.

2200.3. Failure to fulfil the conditions of Rule 2200.2 will result in:

- (a) The cash or market value of the collateral given by the borrower to the lender being deducted from net allowable assets of the borrower; and
- (b) The cash or market value of the loan given by the lender to the borrower being deducted from the net allowable assets of the lender.

Except where the counter-party is an acceptable institution in which case no margin need be provided.

- 2200.4. Buy-ins (liquidating transactions) must be commenced within two (2) business days of the date notice for the buy-in is given.
- 2200.5. All cash and securities loan transactions shall be properly recorded in the books and records of the Dealer Member in compliance with Rule 200.
- 2200.6. Where a cash and securities loan transaction is between regulated entities, the following rules apply:
- (a) The written agreement required by Rule 2200.2 shall also contain an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the borrowed securities at any time;
  - (b) Letters of credit issued by Schedule I Banks may be used as collateral; and
  - (c) Except where the cash and securities loan transaction is processed through an acceptable clearing corporation, confirmations and month-end statements shall be issued.
- 2200.7. Where the cash or securities loan transaction is between a Dealer Member and an acceptable institution or an acceptable counter-party, the following rules apply:
- (a) Confirmations and month-end statements shall be issued; and
  - (b) Letters of credit issued by Schedule I Banks may be used as collateral.
- 2200.8. Where a Dealer Member enters into a cash and securities loan transaction with a party other than one to which Rule 2200.6 or 2200.7, the following rules apply:
- (a) Marking to Market. Borrowed securities and collateral must be marked to market daily on a one-for-one basis.
  - (b) Loan Accounts. Loan accounts must be maintained separate from the securities trading accounts maintained by the Dealer Member.
  - (c) Collateral
    - (A) Securities pledged as collateral must be held by the Dealer Member on a fully segregated basis or must be held by an acceptable depository or a bank or trust company qualifying as either an acceptable institution or an acceptable counter-party pursuant to an escrow agreement, acceptable to the Corporation between the Dealer Member and the depository, institution or counter-party;
    - (B) Subject to clause (C), securities pledged as collateral must have a margin rate of 5 percent or less; and
    - (C) Preferred shares or debt securities convertible (in either case) into the common shares of the class which have been borrowed may be pledged against common stock of the issuer.
  - (d) Non-Compliance. Failure to fulfill the conditions of Rules 2200.8(b) or (c)(A) will result in a charge to net allowable assets of the Dealer Member as provided in Rule 100 for short securities balances in the accounts of customers.
  - (e) Confirmations and Month-end Statements. Confirmations and month-end statements shall be issued and, where the other party to a transaction is a retail client of the Dealer Member, such loan of securities shall be recorded in an account separate from the retail client's trading accounts.
- 2200.9. In a cash or securities loan transaction between an acceptable institution, acceptable counter-party, or a regulated entity, where a letter of credit issued by a Schedule I Bank is used as collateral for the cash or securities loan transaction pursuant to Rules 2200.6(b) or 2200.7(b), there shall be no charge to the Dealer Members capital for any excess of the value of the letter of credit pledged as collateral over the market value of the securities borrowed.

**RULE 2300  
ACCOUNT TRANSFERS**

2300.1. Definitions. In this Rule 2300 the expression:

**"Account Transfer"** means the transfer in its entirety of an account of a client with a Dealer Member to another Dealer Member at the request or with the authority of the client;

"CDS" means The Canadian Depository for Securities Limited / La Caisse Canadienne de Dépôt de Valeurs Limitée;

"Delivering Dealer Member" means in respect of an account transfer the Dealer Member from which the account of the client is to be transferred;

"Receiving Dealer Member" means in respect of an account transfer the Dealer Member to which the account of the client is to be transferred;

"Partial Account" means in respect of an account transfer, any assets and balances in the account of a client to be transferred from a delivering Dealer Member to a receiving Dealer Member which comprise less than the total assets and balances held by the delivering Dealer Member for that account;

"Recognized Depository" means a clearing corporation or depository which has been recognized by the Board of Directors pursuant to Rule 2000.

2300.2. Account Transfers. Each account transfer shall be effected wherever possible through the facilities or services of a clearing organization or depository which has been recognized by the Board of Directors. The procedures to be followed for full or partial account transfers shall be as set out in this Rule 2300.

Written communications by Dealer Members with other Dealer Members required in connection with compliance with this Rule 2300 including, without limitation, delivery of Request for Transfer forms and Asset Listings shall be transmitted by electronic delivery through the Account Transfer Facility of CDS, unless both Dealer Members agree otherwise. Each Dealer Member shall bear its own costs in respect of the receipt or delivery of such communications. Each Dealer Member shall be responsible for the selection, implementation and maintenance of appropriate security products, tools and procedures sufficient to protect any communications sent by electronic delivery by such Dealer Member.

Each Dealer Member acknowledges that communications sent by it by electronic delivery pursuant to this Rule 2300 will be relied on by the other Dealer Members receiving them and such Dealer Members sending a communication shall indemnify and save harmless any such other Dealer Members against and from any claims, losses, damages, liabilities or expenses suffered by such Dealer Members and arising as a result of reliance on any such communication which is unauthorized, inaccurate or incomplete.

2300.3. Authorization. Each receiving Dealer Member which receives a request from a client to accept an account shall provide the client with an Authorization to Transfer Account form in a form approved by the Corporation.

On return of the Authorization to Transfer Account form to the office designated by the receiving Dealer Member, duly executed by the client, the receiving Dealer Member shall promptly send a Request for Transfer form (as approved by the Corporation) by electronic delivery through the Account Transfer Facility of CDS providing the prescribed information required by CDS. The original copy of the Authorization to Transfer Account form shall remain on file pursuant to Rule 200.1 with the receiving Dealer Member and will be made available at any time upon request.

In addition, the receiving Dealer Member shall ensure that such forms or documents as may be required in order to transfer trusteed accounts, provincial stock savings plan accounts or other accounts which cannot be transferred without such other forms or documents are duly completed and available on the same day as the electronic delivery of the Request for Transfer form.

2300.4. Response to Request for Transfer. On electronic receipt of the Request for Transfer, the delivering Dealer Member shall either deliver electronically to the receiving Dealer Member the Asset Listing of the client account being transferred by the return date as specified, or reject the Request for Transfer if the client account information is unknown to the delivering Dealer Member, or is incomplete or incorrect. The return date shall be no later than two clearing days after the date of electronic receipt at the delivering Dealer Member.

If for any reason, an impediment exists which prevents the requested transfer of an asset for an account from the delivering Dealer Member to the receiving Dealer Member, the delivering Dealer Member shall forthwith notify the receiving Dealer Member electronically, identifying such asset(s) and the reason for the inability to deliver. The receiving Dealer Member shall obtain instructions or directions from the client and deliver them electronically to the delivering Dealer Member with regard to that asset.

Transfer of the balance of assets belonging to the client shall be completed in accordance with this Rule 2300.

2300.5. Settlement. Within one clearing day after the return date specified on the Request for Transfer, the delivering Dealer Member shall input, or cause the Account Transfer facility at CDS to implement automatically, the set up for settlement

of those assets which are to be settled through CDS. All other assets shall be delivered using the standard industry practice for such assets.

No Dealer Member shall accept transfer of an account from another Dealer Member which is not margined in accordance with regulatory requirements, unless at the time of the transfer, the receiving Dealer Member has in its possession sufficient available funds or collateral for the credit of the client to cover the deficiency in the account.

Any assets which cannot be transferred through recognized depositories shall be settled over the counter or by such other appropriate means as may be agreed between the receiving Dealer Member and the delivering Dealer Member, with the same time limits specified above for assets which can be transferred through a depository.

2300.6. Failure to Settle. If the delivering Dealer Member fails to settle the transfer of any asset in the account of a client within 10 clearing days of the receipt of the Request for Transfer form by electronic delivery, the receiving Dealer Member may complete the account transfer by, at its option:

- (a) Buying-in the unsettled position in accordance with Rules 800.39 to 800.44;
- (b) Establishing a loan of the assets from the receiving Dealer Member to the delivering Dealer Member through a recognized depository, which loan shall be marked to market and the relevant assets shall be deemed to have been delivered to the receiving Dealer Member for the purpose of settling the account transfer; or
- (c) Making such other mutually agreed arrangements with the delivering Dealer Member such that the account transfer can be deemed to have been completed for the client.

2300.7 Non-Certificated Mutual Funds. Assets in an account to be transferred in the form of non-certificated mutual fund securities shall be considered transferred upon delivery by the delivering Dealer Member to the receiving Dealer Member of a duly completed Dealer to Dealer Mutual Fund Transfer form as approved by the Corporation and a properly completed and endorsed power of attorney, or by entry of transfer instructions in the electronic account transfer facility of Mutual Funds Clearing and Settlement Services Inc.

2300.8. Miscellaneous Balances. Balances comprising interest or dividend receipts shall be settled promptly between a delivering Dealer Member and receiving Dealer Member and the failure to so settle such balances for any reason shall not constitute grounds for not complying with the account transfer procedures contained in this Rule 2300.

2300.9. Capital Charges. Delivering Dealer Members shall not be subject to capital or margin charges in respect of assets which are in the process of being transferred in accordance with this Rule 2300. The receiving Dealer Member shall be required to margin all assets or balances which are in the process of being transferred in accordance with this Rule 2300.

2300.10. Fees and Charges. The delivering Dealer Member shall be entitled to deduct any fees or charges on accounts to be transferred prior to or at the time of transfer in accordance with that Dealer Member's current published schedule for such fees and charges.

2300.11. Exemptions. The Corporation may exempt a Dealer Member from the requirements of this Rule 2300 where he or she is satisfied to do so would not be prejudicial to the interests of the Dealer Member, its clients or the public and in granting such exemption the Corporation may impose such terms and conditions, if any, as he or she may consider necessary.

**RULE 2600  
INTERNAL CONTROL POLICY STATEMENTS**

**INTERNAL CONTROL POLICY STATEMENT 1  
GENERAL MATTERS**

- (iv) The balance struck between preventive and detective internal controls. "Preventive controls are those which prevent, or minimize the chance of occurrence of, fraud and error. Detective controls do not prevent fraud and error but rather detect them, or maximize the chance of their detection, so that corrective action may be promptly taken. The known existence of detective controls may have a deterrent effect, and be preventive in that sense". (CICA Handbook, 5205.13)

The extent of preventive controls implemented by a Dealer Member will depend on management's view of the risk of loss and the cost-benefit relationship of controlling such risk. Where the inherent risk is high (e.g., cash, negotiable securities), the cost of effective preventive controls will usually be warranted and expected by industry regulators. On the other hand, where the inherent risk is very low (e.g., prepaid expenses, stock exchange seats), the cost of preventive controls would usually not be warranted nor expected by industry regulators. Further, in a circumstance where a preventive control is warranted, a detective control should not be considered to be a suitable alternative unless it will result in prompt detection of fraud and error and provide near certainty of recovery of the property that is the subject of the fraud or error.

For example, the safeguarding of customers' segregated securities warrants the implementation of highly effective preventive controls. Accordingly, Dealer Members safeguard such securities by placing them in recognized depositories whenever possible or storing them in bank and/or in-house vaults of an appropriate class suitable to insurers. It would not be appropriate to keep such securities in standard filing cabinets even if such securities were counted monthly since the risk of loss would be high and the possibility of recovery could be very low.

(v) Industry practice.

Determining whether internal control is adequate is a matter of judgement. However, internal control is not adequate if it does not reduce to a relatively low level the risk of failing to meet control objectives stated in this series of Policy Statements and, as a consequence, one or more of the following conditions has occurred or could reasonably be expected to do so:

- (i) A Dealer Member is inhibited from promptly completing securities transactions or promptly discharging the Dealer Member's responsibilities to clients, to other brokers, or to the industry;
- (ii) Material financial loss is suffered by the Dealer Member, clients or the industry;
- (iii) Material misstatements occur in the Dealer Member's financial statements;
- (iv) Violations of regulations occur to the extent that could reasonably be expected to result in the conditions described in (i) to (iii) above.

Other Policy Statements in this series set out control objectives, required and recommended firm policies and procedures and indications that internal control is not adequate. While recommended firm policies and procedures will be appropriate in many cases to meet the stated objectives, they constitute merely one of a number of methods which Dealer Members may utilize. It is recognized that Dealer Member firms may conduct their business in compliance with legal and regulatory requirements although they may employ procedures which differ from the recommended firm policies and procedures contained in the Policy Statements. The information is designed to provide guidance to Dealer Member firms in the preparation of procedures tailored to the specific needs of their individual environment in meeting the stated control objectives.

Dealer Members must maintain a detailed written record which as a minimum should include the specific policies and procedures approved by senior management to comply with these Internal Control Policy Statements. These policies and procedures must be reviewed and approved in writing by senior management at least annually, or more frequently as the situation arises, for their adequacy and suitability. One method of documentation is to note on a copy of this Statement the recommended policies and procedures which have been selected, and details of their performance such as who performs them, when, and how performance is evidenced. Other forms of documentation, such as procedures manuals, flow charts and narrative descriptions are recommended.

**INTERNAL CONTROL POLICY STATEMENT 2  
CAPITAL ADEQUACY**

**Minimum Required Firm Policies and Procedures**

- 2. The firm's planning process recognizes the projected capital requirements resulting from current and planned business activities.

3. Activity limits for the major functional areas of the firm (such as capital markets, principal trading, borrowing/lending, etc.) are designed to ensure that the combined operations of the firm maintain at least the minimum required amount of risk adjusted capital.
4. Such activity limits are approved by senior management and communicated to the executives responsible for the various major functional areas. Actual performance is compared to such limits by the Chief Financial Officer or designated person assigned the task of monitoring the capital position, and breaches are reported promptly to senior management.
5. At least weekly, but more frequently if required (e.g. the firm is operating close to early warning levels or volatile market conditions exist), the Chief Financial Officer or designated person assigned the task for monitoring the capital position documents that he/she has:
  - (a) Received management reports produced by the accounting system showing information relevant to estimation of the capital position;
  - (b) Obtained other information concerning items that, while they may not yet be recorded in the accounting system, are likely to significantly affect the capital position (e.g. bad and doubtful debts, unreconciled positions, underwriting and inventory commitments and margin requirements);
  - (c) Estimated the capital position, compared it to planned capital limits and the prior period and reported adverse trends or variances to senior management.
  - (d) Estimated the application to the Dealer Member of the liquidity and capital tests under the early warning calculations for Level 1 and/or Level 2 of Rule 30. In addition, at least monthly estimate the application of the profitability tests under the early warning calculations for Level 1 and/or Level 2 of Rule 30.
6. Senior management takes prompt action to avert or remedy any projected or actual capital deficiency and reports any deficiencies, when required, immediately to the appropriate regulators. In addition, senior management promptly reports to the appropriate regulators any conditions or circumstances that are, or should be, apparent from the actions required to be performed under this Statement that could require the Dealer Member to be designated in early warning Level 1 or Level 2 in accordance with Rule 30 because of the application of the liquidity, capital or profitability tests.
7. The month-end estimate of required and risk adjusted capital is reconciled to the Monthly Financial Report submitted for regulatory filing. Material discrepancies are investigated and steps taken to preclude re-occurrence.
8. At least annually there is a documented supervisory review of the firm's management reporting system related to capital, to identify and implement changes required to reflect developments in the business or in regulatory requirements.

**INTERNAL CONTROL POLICY STATEMENT 4  
SEGREGATION OF CLIENTS' SECURITIES**

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

**Control Objective**

To segregate clients' fully-paid and excess margin securities so that:

- (a) The firm is in compliance with regulatory and legal requirements for segregation;
- (b) Fully paid and excess margin securities are not improperly used.

**Minimum Required Firm Policies and Procedures**

1. At least twice weekly the information system produces a report of items requiring segregation (the "segregation report").
2. Items requiring segregation are placed in "acceptable securities locations" as defined by regulation on a timely basis.

3. Written custodial agreements with applicable regulatory provisions exist for securities held at acceptable securities locations.
4. Securities are moved into or out of segregation only by authorized personnel.
5. There is a daily supervisory review of compliance with segregation requirements for clients' securities according to the latest segregation report and of action taken to settle previously identified deficiencies.
6. If any segregation deficiency exists, the most appropriate action prescribed by regulation required to settle the deficiency is taken expeditiously.
7. There is supervisory review or other procedures in place to ensure the completeness and accuracy of segregation reports.
8. If any segregation deficiency is identified in such supervisory review, the most appropriate action required to settle the deficiency is taken expeditiously.
9. Management has set reasonable guidelines so that any material segregation deficiency is reported to senior management on a timely basis.
10. At least annually there is a documented supervisory review of firm policies and procedures to identify and correct any divergence from regulatory requirements.

**INTERNAL CONTROL POLICY STATEMENT 5  
SAFEKEEPING OF CLIENTS' SECURITIES**

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

**Control Objective**

To provide safekeeping services to clients so that:

- (a) The firm is in compliance with regulatory requirements for safekeeping;
- (b) Securities in safekeeping are not improperly used.

**Minimum Required Firm Policies and Procedures**

1. Securities held in safekeeping are held pursuant to a written safekeeping agreement with the client.
2. There are procedures in place to ensure that safekeeping securities are kept apart from all other securities.
3. Securities held in safekeeping are recorded as such in the firm's securities position records, client's ledger and statement of account.
4. Securities held in safekeeping are released only on instruction from the client.

**INTERNAL CONTROL POLICY STATEMENT 6  
SAFEGUARDING OF SECURITIES AND CASH**

This Policy Statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "*every Dealer Member shall establish and maintain adequate internal controls in accordance with internal control policy statements in Rule 2600.*" It should be read in context of Policy Statement 1 dealing with General Matters.

**Control Objective**

To safeguard both firm and client securities and cash so that:

- (a) Securities and cash are protected against material loss; and
- (b) Potential losses are detected and reported (for regulatory, financial and insurance purposes) on a timely basis.

### Minimum Required Firm Policies and Procedures

(It is recognized that Dealer Members with small operations may not be able to comply with the segregation of duties requirements due to the limitation inherent in the size of their firm and operations. To the extent that these minimum requirements are inappropriate in the operations of such Dealer Members, they would not be required to follow them and must implement compensating control procedures to meet the stated control objectives of this Policy Statement.)

#### 1. Receipt and Delivery of Securities

- (a) Personnel responsible for the receipt and delivery of securities do not have access to the record keeping of such securities.
- (b) Securities handling is done in a restricted and secure area.
- (c) Receipts and deliveries are promptly and accurately recorded (certificate numbers, registrations, coupon numbers, etc.).
- (d) Negotiable certificates delivered through the mail are sent by means of registered mail.
- (e) Signed receipts are obtained from the client or agent for all securities delivered free.

#### 2. Restricted Access to Securities

- (a) Only designated individuals are permitted to physically handle securities.
- (b) Physical handling of securities is carried out in a restricted and secure area.
- (c) Custody of securities is entrusted to individuals not involved in maintaining or balancing of stock records.
- (d) Vault facilities are physically appropriate to the value and negotiability of the securities they contain.

#### 3. Clearing

- (a) Clearing reports containing the settlement activity from the previous day are compared and balanced to company records promptly.
- (b) The reconciliation of the clearing or settlement of accounts should be performed by firm personnel independent of trading.
- (c) Prompt action is taken to correct differences.
- (d) Aged "fails" to deliver and receive are reviewed regularly to determine reason(s) for delay in settlement.
- (e) Any fail that continues for an extended period of time is reported promptly to senior management.
- (f) Client securities are not used in settling short "pro" sales unless the client's written permission has been obtained, appropriate collateral is provided to the client, and the use of such securities is not contrary to any laws.
- (g) Clearing records are reconciled regularly to clearing house and depository records to ensure agreement of securities and cash on deposit.

#### 4. Custody

- (a) A risk assessment is performed on any securities location which holds securities on behalf of the firm and its clients.
- (b) Limits are set on the value of securities or other assets (e.g. gold, letters of credit, dividends, interest, etc.) held at any securities location.
- (c) The firm has a proper written agreement with each acceptable securities location used to hold securities as required by SRO regulation.
- (d) Processing controls include an adequate division of duties over the recording of entries and over the initiation of transfers made on the records of the depositories (e.g. transfers between "free" and "seg").

- (e) Security and other asset positions as per the company's records are reconciled on a regular basis (at least monthly) to the positions as per the custodian's records. Differences are investigated and appropriate adjustment entries are made.

**5. Security Records**

- (a) Personnel responsible for maintaining and balancing stock records are not involved in custody of the physical securities.
- (b) Stock records are promptly updated to reflect changes in the location and ownership of all securities under the firm's control.
- (c) Journal entries made to stock records are clearly identified and adjustments are properly reviewed and approved before processing.

**6. Security Counts**

- (a) Segregated and safekeeping securities are counted at least once a year in addition to the count conducted during the annual external audit as required by SRO regulation.
- (b) Securities contained in current boxes are counted at least monthly.
- (c) Interim surprise counts are conducted by individuals other than those who have custody of securities.
- (d) Count procedures ensure that all physical securities are included and related positions such as transit and transfers are also verified simultaneously.
- (e) During a security count, both the descriptions of the security and quantity should be compared to the records of the firm. Any discrepancies should be investigated and corrected promptly. Positions not reconciled within a reasonable period are reported promptly to senior management and accounted for promptly.

**7. Branch Transits**

- (a) Separate transit accounts are used on the security position records to record the location of certificates in transit between each office of the firm. These accounts are reconciled on a monthly basis.
- (b) Entries are made to book out securities to or from the branch to the transit account, and then upon physical receipt the securities are booked from the transit account to the receiving branch.
- (c) The receiving branch checks securities received against the accompanying transit sheet.
- (d) Methods of transportation selected for securities in transit comply with insurance policy terms and take into account value, negotiability, urgency, and cost factors.

**8. Transfers**

- (a) A record is maintained showing all securities sent to and held by transfer agents.
- (b) Authority to request transfers into a name other than the firm's name is restricted to designated individuals outside the transfer department and is permitted only in respect of fully-paid securities (new issues excepted).
- (c) The transfer department executes transfers only upon receipt of a properly authorized request.
- (d) Securities out for transfer are recorded as such in the firm's security position record.
- (e) All positions for securities at transfer agents are supported by a receipt.
- (f) An ageing of all transfer positions is prepared weekly and reviewed by management to verify the validity of the positions and the reasons for any undue delay in receiving securities from transfer agents.
- (g) The duties of personnel handling transfers do not include other security cage functions such as deliveries, current box or segregation.

**9. Re-Organization**

- (a) A formal procedure exists to identify and document the timing and terms of all forthcoming rights, offers, etc.

- (b) There is a clear method of communicating forthcoming re-organization activity to the sales force, including deadlines for submitting special instructions in writing including any special handling procedures required around the key dates.
- (c) Responsibilities for organizing and handling each offer are clearly assigned to a single person or department.
- (d) Procedures to balance positions daily and to provide for the physical control of these securities are clearly defined.
- (e) Suspense accounts involving offers and splits are reconciled and reviewed regularly.

**10. Dividends and Interest**

- (a) A system is in place to record the total amounts of dividends and interest payable and receivable at due date.
- (b) Individuals in charge of record keeping do not handle cash or authorize payments.
- (c) Dividend and interest accounts are reconciled at least monthly and reviews performed of aged dividend receivables.
- (d) Write-offs are authorized by the department manager or other senior personnel only.
- (e) Journal entries to and from dividend and interest accounts are approved by the supervisor/manager.
- (f) Other than as part of an automatic settlement system dividend claims are not paid unless accompanied by supporting documents, proof of registration, etc. Such supporting documents are compared to internal records for validity and approved by a senior member of the department.
- (g) Non-resident tax is withheld where applicable by law.
- (h) A system is in place to ensure appropriate reporting of client income for income tax purposes, as required by law.

**11. Internal Accounts**

- (a) Internal accounts are reconciled at least monthly.
- (b) The reconciliation is subject to a supervisory review.

**12. Cash**

- (a) A senior official is responsible for reviewing and approving all bank reconciliations.
- (b) Bank accounts are reconciled, in writing, at least monthly, with identification and dating of all reconciling items.
- (c) Journal entries to clear reconciling items are made on a timely basis and approved by management.
- (d) The reconciliation of bank accounts is performed by someone without incompatible functions, including access to funds (both receipts and disbursements), access to securities and record keeping responsibilities, including the authority to write or approve journal entries.
- (e) Approval levels required to requisition a cheque are established by senior management.
- (f) Cheques are pre-numbered and numerical continuity is accounted for.
- (g) Cheques are signed by two authorized individuals.
- (h) Cheques are only signed when the appropriate supporting documentation is provided. The supporting documentation is cancelled after the cheque is signed.
- (i) Where facsimile signature is used, access to the machine is limited and supervised.

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**INTERNAL CONTROL POLICY STATEMENT 7  
PRICING OF SECURITIES**

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**Control Objective**

To ensure that:

- a) There is independent and timely verification of security prices designed to detect errors or omissions in the pricing of securities;
- b) Security pricing discrepancies are identified and corrected on a timely basis and reviewed and approved by senior management.
- c) There is consistency of procedures in the pricing of all types of securities.
- d) There is accuracy and completeness of the pricing of securities and to ensure the reliability of prices.

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**Minimum Required Firm Policies and Procedures**

2. Verification of security prices must take into consideration documented member policies as to criteria in determining the market value of securities consistent with SRO Rules.
3. There should be documented procedures in place to ensure appropriate pricing for all security records of the member for purposes of preparing management reports used to monitor profit and loss, and the regulatory capital position of the member. These functions should be performed by a knowledgeable, authorized individual who is properly supervised.
4. Personnel involved with trading of securities do not have access to back office security price records and should not be involved in the pricing process, recording and storage of pricing data; and if they are involved there should be compensating controls, appropriate review and approval.
5. Independent security pricing verification must be carried out for each month-end at a minimum. The results of the verification procedures must include quantification of all differences (distinguished between adjusted and unadjusted differences) and follow-up of any material differences to the Dealer Member including a review and approval by senior management.
6. Supporting documentation must be maintained evidencing verification of securities pricing and adjustments.
7. Procedures are in place to ensure daily mark to market of a Dealer Member's security positions "owned and sold short" for profit and loss reporting in accordance with SRO requirements.
8. Dealer Members inventory profit and loss information must be reviewed by knowledgeable and authorized staff who are adequately supervised and are independent of the Dealer Member's trading function.

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**INTERNAL CONTROL POLICY STATEMENT 8  
DERIVATIVE RISK MANAGEMENT**

The policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statement in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

**Control Objective**

Derivatives are financial instruments whose values are derived from, and reflect changes in, the prices of the underlying products. They are designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes. This policy statement includes all types of derivatives i.e. exchange traded and over-the-counter derivatives.

The control objective is to ensure that:

- a) There is a risk management process of identifying, measuring, managing and monitoring risks associated with the use of derivatives.

- b) Management demonstrates their understanding of the nature and risks of all derivative products being used in treasury, trading and sales.
- c) Written policies and procedures exist that clearly outline risk management guidance for derivatives activities.

**Minimum Required Firm Policies and Procedures**

**1. ROLE OF BOARD OF DIRECTORS**

- (i) Approve all significant risk management policies to ensure that they are consistent with the broader business strategies of the firm.
- (ii) These policies must be reviewed and amended as business and market circumstances change.
- (iii) Senior management must report at least annually to the board on risk exposures taken by the firm except for exchange traded options.

**2. ROLE OF SENIOR MANAGEMENT**

- (i) Senior management must be responsible for ensuring that there are adequate written policies and procedures for conducting derivatives operations on both a long-range and day-to-day basis. This includes:
  - A clear delineation of the lines of responsibility for managing risk
  - An adequate system for measuring risk
  - Appropriate risk position limits
  - An effective system of internal controls
  - A comprehensive reporting process
- (ii) Ensure that if limits are exceeded, there must be a system in place so that such occurrences are made known to senior management and approved only by authorized personnel.
- (iii) Ensure that all appropriate approvals are obtained and that adequate operational procedures and risk control systems are in place.
- (iv) Ensure risk control systems appropriate for the product are in place to address market, credit, legal, operations and liquidity risk.
- (v) Ensure that their derivatives activities are undertaken by professionals in sufficient number and with the appropriate experience, skill levels, and degrees of specialization.
- (vi) Ensure that management designates the appropriate officer to commit their institutions to derivatives transactions.
- (vii) Ensure that there is a regular evaluation of the procedures in place to manage risk to ensure that those procedures are appropriate and sound.
- (viii) Ensure that all standard and non-standard derivative product programs are approved.
- (ix) Ensure that there is an accurate, complete, informative and timely management information system. The risk management function should monitor and report its measures of risks to appropriate levels of senior management and to the board of directors of the firm.

**3. PRICING**

- (i) Refer to Internal Control Policy Statement 7, "Pricing of Securities."
- (ii) Derivatives positions should be marked to market on at least a daily basis.
- (iii) All pricing models used must be independently validated, including those models that compute market data or model inputs by an independent risk management function must review and approve the pricing models and valuation systems used by front- and back-office personnel and the development of reconciliation procedures if different systems are used.

- (iv) Valuations derived from models must be independently scrutinized at least monthly.

#### 4. INDEPENDENT RISK MANAGEMENT

- (i) Dealer Members must have a risk management function, with clear independence and authority to ensure the development of risk limit policies and monitoring of transactions and positions for adherence to these policies.
- (ii) The financial accounting departments of Dealer Member firms are required to measure the components of revenue regularly and in sufficient detail to understand the sources of risk.

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### RULE 3000 CODE OF CONDUCT FOR DEALING IN REPO MARKETS

#### Introduction

This policy creates a standard set of trading practices that should not only increase the transparency of the Repo markets, but also help promote liquidity and efficiency.

Dealers and inter-dealer brokers should also refer to Rule 2800, Code of Conduct for Trading in Domestic Debt Markets, and specifically the provisions relating to confidentiality of dealings in the domestic debt market with customers and counterparties. Rule 2800 is intended to reinforce the integrity of the secondary markets, covering all domestic debt markets, including repo and security lending.

#### Definitions

For the purpose of this Rule 3000:

**“Best Efforts”** means a trade where the buyer assumes the risk that the seller will not be able to make the delivery within the time frame requested by the buyer;

**“Forward Repo”** means a trade that settles in a longer time frame than next day settlement;

**“Inter-dealer Broker”** means an organization, whether or not incorporated, that provides information, voice or non-electronic trading and communications services in connection with trading in wholesale financial markets among customers of the organization; and

**“Odd Lot”** means:

- (a) A lot less than \$25 million for overnight and term general collateral; or
- (b) A lot less than \$25 million for specials (terms and overnights).

#### A. Confidential Nature of Transactions

##### 1. Confidentiality

- (a) It is the responsibility of all dealers and inter-dealer brokers to maintain confidentiality of the names of parties to a trade. Dealers and inter-dealer brokers shall not ask or answer any questions aimed at discovering the identity of any party to a trade, such as any characteristics of the counterparty.
- (b) Despite subparagraph (a), the identity of parties to a trade through an inter-dealer broker may be disclosed
  - (i) After the trade is completed, and
  - (ii) Only to the counterparties to that trade.
- (c) An inter-dealer broker may inform a dealer that it does not have a line of credit with the other side before a market is made, provided that no other indication is given as to the identity of the party in question.
- (d) Nothing in this Rule shall be construed as preventing dealers or inter-dealer brokers from asking and/or answering questions aimed at discovering the size of the offer/bid.

##### 2. Name Give-Up

The full names of counterparties shall be disclosed immediately at the time of trade in order to ensure that proper credit procedures are followed.

**B. Screen Guidelines**

**1. Life of Bid**

Unless otherwise specified, all bids and offers are good until cancelled, or the end of the business day, whichever comes first.

**2. Going "Subject"**

At 11:30 a.m. (Toronto time) all cash settlements will go "subject" and the inter-dealer brokers will contact the dealers to renew them.

**3. Off-Screen Trading**

- (a) Off-screen markets shall be cleared with on-screen accounts.
- (b) All off-screen trades shall be flashed on-screen within 15 minutes of completion of the transaction.
- (c) If an off-screen number is to be shown only to the bid/offer, the account should specify that it is a one-time ("on a call") show.

**4. Open Trades**

Upon request, inter-dealer brokers may notify the repo community of repo roll rates.

**5. Backing Up Into First Place**

- (a) If a market trades at a different rate, then the aggressor is allowed to take priority on-screen provided they match the existing market.
- (b) If the market is topped for a minimum of five minutes and subsequently backed off, without trading, the market maker that topped the bid shall assume market priority.
- (c) If the market is topped for less than five minutes and subsequently backed off, without trading, the original market maker shall maintain priority.

**6. Priority of Bids**

- (a) Once the market has been established on-screen joining of the bid/offer shall not be permitted.
- (b) The first party to declare as second buyer/seller shall take over a priority once the original buyer/seller has been filled.

**7. Minimum Increments**

Markets may be topped in a *minimum* of one (1) basis point increments.

**8. Interruptions**

If one market participant is hitting a bid, a second participant cannot swing in and lift an offer, while the bid is being filled.

**9. Declaring Intentions**

The aggressor and the market maker shall declare their intentions within five seconds of the time of trade.

**10. Board Lots & Trading in Odd Lots**

- (a) The need for odd lot trading before 10:00 a.m. (Toronto time) is recognized, but the handling of this matter is left with the business judgement of each inter-dealer broker.
- (b) Inter-dealer brokers may consider the following suggestion in regards to odd lot trading before 10:00 a.m.:
  - (i) If, before 10:00 a.m., there is no market, meaning no bid or no offer, in a particular security, a dealer should be able to show an odd lot on the screens with the understanding that if a round lot comes in before the odd lot is traded, the round lot would take precedence over the odd lot regardless of rate.

**11. “Line Full”/“No Line”**

- (a) When a market is made and “line full” or “no line” flashes on the screen, no trade has taken place and all bids and offers should be renewed by those interested in market making the particular security.
- (b) If “no line” is flashed on screen three times, the market is then worked off-screen.

**12. “Hit When”/“Lift When” Clear**

A market maker who is informed during the clearing time period of being “hit when clear”/“lifted when clear” by a third party should treat that as a valid execution in the event that the market maker is cleared.

**13. Screen Notations**

- (a) Markets incorporating unusual provisions shall be denoted on an inter-dealer broker’s screen;
- (b) Examples of elements that shall be denoted include:
  - (i) Non-payment of intervening coupons (NIC),
  - (ii) Anything other than price plus accrued interest for open and overnight trades,
  - (iii) Right of substitution, and
  - (iv) Trades done on a “best efforts” basis.

**14. Items That Should Appear On Separate Lines**

Markets with stipulations or ‘all or nothing trades’ should appear on separate lines on an inter-dealer broker’s screen.

**15. Partial Fills**

If ‘all or nothing’ is not specified, dealers making markets in amounts greater than the standard board lot shall accept transactions in board lot increments.

**16. Monitoring Screen**

It is up to the individual inter-dealer broker to monitor their screen. An inter-dealer broker’s screen shall clearly state whether they are ‘live’ or ‘subject’. This is especially the case immediately following the release of new economic data.

**C. Assumptions as to Manner of Settlement**

**1. General**

- (a) Unless the parties to a trade otherwise agree
  - (i) All trades, except overnight and open trades, done before 11:30 a.m. (Toronto time) are assumed to be cash trades, and
  - (ii) All trades, except overnight and open trades, done after 11:40 a.m. (Toronto time) are assumed to be next day settlement trades.
- (b) Unless the parties to a trade otherwise agree, all overnight and open trades are assumed to be cash trades until the relevant cut-off time.

**2. Assumption for “Best Efforts”**

- (a) It is assumed that
  - (i) The buyer in a trade done on a “best efforts” basis before the dealer-to-dealer cut-off time seeks delivery before the close of the dealer-to-dealer cut-off time, and
  - (ii) The buyer in a trade done on a “best efforts” basis before the dealer-to-customer cut-off time seeks delivery before the close of the dealer-to-customer cut-off time.

- (b) It is generally understood that an inter-dealer broker's screen will flash "best efforts" five minutes and 59 seconds before the relevant cut-off time.

**3. All other Trades Done for Regular Settlement**

All other trades, including general collateral and mortgage securities term trades, general collateral and mortgage securities overnight trades, and off-the-run specials, settling "regular" shall be priced and descriptions of the collateral shall be given by 9:00 a.m. (Toronto time) of the following morning.

**4. Cash Trades Up to 11:00 a.m.**

Unless the parties to a trade otherwise agree, all term and overnight trades executed through inter-dealer brokers and settling "cash" done up to and including 11:00 a.m. (Toronto time) shall be priced and a description of the collateral shall be given by 12:00 p.m. (Toronto time).

**5. Cash Trades After 11:00 a.m.**

- (a) Unless the parties otherwise agree, all term and overnight trades executed through inter-dealer brokers and settling "cash" done by 12:30 p.m. (Toronto time) shall be priced and a description of the collateral shall be given within 30 minutes of the time that the trade is done.

- (b) Subparagraph (a) applies for both the Treasury bill and the bond markets.

**6. General Collateral**

General collateral consists of Government of Canada debt that is DCS eligible. Any non-standard conditions should be specified before completing the transaction.

**7. Value Dates**

All market participants shall adhere to standard day counts, as outlined in the chart below, for all trades, specifically term trades. Any participant that wishes to trade to an odd date must specify at the time the order is given to the inter-dealer broker.

**8. Term Contracts**

The Standard Day Count chart below provides the number of days in each standard contract. Contracts shall roll over a weekend or statutory holiday. Market participants shall specify prior to dealing if they wish to deal to a different date.

**Standard Day Count**

<b>Contract</b>	<b>Number of Days</b>
1 month	30
2 month	60
3 month	91
4 month	121
5 month	151
6 month	182
7 month	212
8 month	242
9 month	273
10 month	303
11 month	333
12 month	364

**D. Marking to Market**

**1. Margin Calls**

- (a) Unless the parties to a trade otherwise agree, margin calls on all dealer-to-dealer repo transactions shall be met with transfers of collateral and/or cash.
- (b) If the party being marked chooses to meet its margin call with cash, such cash shall not be used to change the economic substance of the trade, but will bear interest at a rate to be determined between the two parties.
- (c) If the party being marked chooses to meet its margin call with collateral, the collateral shall have
  - (i) Characteristics similar to, or better than, the collateral being repoed,
  - (ii) Reasonably acceptable to the counter-party, and
  - (iii) Applied on a reasonable basis
- (d) A maximum of one piece of collateral per one million should be delivered.

**2. Notification of Marks**

- (a) A party wishing to mark-to-market its counterparties shall do so by 11:30 a.m. (Toronto time).
- (b) The mark-to-market should be done on a net basis rather than marking on an issue specific basis.

**3. Periodic Review**

Unless the parties to a trade otherwise agree, margins shall be reviewed periodically to determine their appropriateness given the remaining term to maturity.

**4. Mechanism for Meeting Margin Calls**

Margins maintenance shall be achieved through margin calls. In particular, substitutions should not be the mechanism for margin maintenance.

**5. Validation of Pricing**

- (a) If a dispute arises between counterparties, current mid-market prices shall be used to determine the mark-to-market price variance.
- (b) Composite prices on an inter-dealer broker's screen shall be used to arrive at the mid-market price.

**6. Substitution of Margin Collateral**

A party wishing to substitute previously pledged margin collateral shall do so by 11:30 a.m. (Toronto time).

**E. Confirmations of Forward Repos**

**1. Timing and Content**

- (a) Confirmations shall be sent on forward repos on the day on which the trade takes place.
- (b) In addition to any applicable regulatory requirements, the confirmation shall specify at a minimum:
  - (i) The money or the par amount, as appropriate,
  - (ii) The start date,
  - (iii) The end date,
  - (iv) The rate of interest,
  - (v) The type of collateral, and
  - (vi) Whether there are any rights of substitution.

**2. Confirming Transactions**

All forward settlement transactions shall be confirmed on the “Eltra”/DCS system.

**F. Obligation to Make Coupon Payment**

**1. Definition of “All in Price”**

A repo seller is entitled to receive the income payment from the repo buyer to the same extent that it would have been entitled to receive income had it not entered into repurchase transactions on the securities.

**2. Definition of “Clean Price”**

A repo buyer is not obligated to transfer an income payment to the repo seller. The income payment is applied to reduce the amount to be transferred to the repo buyer upon termination of the transaction. This methodology is consistent with the definition found in Section 4 of the Corporation Repurchase/Reverse Repurchase Transaction Agreement. All transactions are priced using the “clean price” method unless otherwise agreed upon before dealing.

**G. General Collateral Repo Allocations**

The repo market allocates general collateral transactions based on the type of transactions executed. The following describes the allocation methods generally used for cash settlements, forward settlements, and replacement transactions when substitutions occur:

**1. Money-Fill Transactions**

It is common practise in Canada that all general collateral transactions be completed on a money-fill basis unless otherwise specified.

- (a) Cash – When a transaction is executed on a money-fill basis, the loan or principal amount allocated shall be equal to the loan amount transacted. Collateral allocation on a money-fill basis will be no more than two issues to make \$50 million.
- (b) Forward Settlement – Same as cash.
- (c) Substitutions – Same as cash.

**2. Par Transactions**

- (a) Cash Settlement – When a transaction is executed on a par basis, the allocated amount shall equal the par amount transacted.
- (b) Forward Settlement – Same as cash settlement.
- (c) Substitutions – When a transaction is executed on a par basis, the replacement transaction shall be done on the basis of the par amount originally transacted.

**H. Special Repo Trades**

It is current market convention to allocate special repo trades on a par basis.

**I. Substitution**

**1. “Best Efforts”**

If collateral has been passed for an overnight or term trade, any substitutions shall be accepted on a “best efforts” basis only.

**2. Specifying Substitution**

Unless specified prior to initiation of the transaction, the purchaser is under no obligation to allow substitution of collateral.

**3. Timing of Collateral Substitutions**

- (a) Unless the parties to a trade otherwise agree, counterparties to trades with rights of substitution shall be notified of the substitution by 10:00 a.m. (Toronto time) and provided with the description of the substituted collateral by 11:00 a.m. (Toronto time).
- (b) If the trade was executed through an inter-dealer broker, the collateral seller is required to notify the executing inter-dealer broker of the substituted collateral within the time frame defined in subparagraph 3(a).
- (c) The executing inter-dealer broker is then required to immediately notify the customer of the substituted collateral.

**J. Application and Enforcement**

- (a) Dealer Members are expected to conduct their business to ensure compliance with this Rule.
- (b) Failure to comply with this Rule may subject a Dealer Member to sanctions pursuant to the enforcement and disciplinary Rules of the Corporation.
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## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

DEALER MEMBER FINANCIAL AND OPERATIONAL RULES  
PLAIN LANGUAGE RULES 4100 THROUGH 4900

## TABLE OF CONCORDANCE

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
<b>Rules 4100 and 4200 - General Dealer Member Financial Standards</b>						
New Provision			Rule 4100	R. 4101. - Introduction	{1}	[New - Non-substantive - Introduction section]
New Provision			Rule 4100	R. 4102. - 4109. Reserved		[New - Non-substantive - Reserved sections]
<b>Part A - Minimum capital level and related requirements</b>						
New Provision			Rule 4100	R. 4110. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 17: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.01		Rule 4100	R. 4111. - Maintain risk adjusted capital	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	Procedure {6}	Rule 4100	R. 4112. - Capital deficiency and early warning situations	{1}{i} through {iii}	
Rule 17: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.01		Rule 4100	R. 4112. - Capital deficiency and early warning situations	{1}{ii} and {iii}	
Rule 17: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.01		Rule 4100	R. 4113. - Calculating current capital position - general requirements	{1} and {2}	
Rule 200: Minimum Records	200.01	{k} and {m}	Rule 4100	R. 4113. - Calculating current capital position - general requirements	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	Procedure {5}	Rule 4100	R. 4114. - Calculating current capital position - weekly documentation	{1}	[Amended - Substantive – Amend requirements to require weekly monitoring {not reporting} of compliance with early warning system profitability tests.]
Rule 200: Minimum Records	200.01	{k} and {m}	Rule 4100	R. 4115. - Calculating current capital position - monthly documentation and reconciliation	{1} and {2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	Procedure {7}	Rule 4100	R. 4115. - Calculating current capital position - monthly documentation and reconciliation	{1} and {2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 200: Minimum Records	200.01	{k} and {m}	Rule 4100	R. 4116. - Dealer Member capital adequacy reporting system - adequate policies and procedures	{1}{i}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	General	Rule 4100	R. 4116. - Dealer Member capital adequacy reporting system - monitor and act on information	{1}{i} and {ii}	
Rule 200: Minimum Records	200.01		Rule 4100	R. 4116. - Dealer Member capital adequacy reporting system - maintain a capital adequacy reporting system	{1}{ii}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	Procedure s{2}, {3} and {4}	Rule 4100	R. 4116. - Dealer Member capital adequacy reporting system - monitor and act on information	{1}{ii}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	General	Rule 4100	R. 4116. - Dealer Member capital adequacy reporting system - monitor and act on information	{1}{iii}	
Rule 2600: Internal Control Policy Statements	2600, Statement 2	Procedure {8}	Rule 4100	R. 4116. - Dealer Member capital adequacy reporting system - monitor and act on information	{1}{iv} and {v}	
Rule 16: Dealer Members' Auditors and Financial Reporting	16.02	{iv}	Rule 4100	R. 4117. - Consolidation of financial position with related companies	{1}	
Rule 16: Dealer Members' Auditors and Financial Reporting	16.02	{v}	Rule 4100	R. 4117. - Consolidation of financial position with related companies	{2}	
Rule 200: Minimum Records	200.01	{m}	Rule 4100	R. 4118. - Options for calculating risk adjusted capital available to well-capitalized Dealer Members	{1}	
New Provision			Rule 4100	R. 4119. - 4129. Reserved		[New - Non-substantive - Reserved sections]
<b>Part B - Early warning tests and related requirements</b>						
New Provision			Rule 4100	R. 4130. - Introduction	{1}	[New - Non-substantive - Introduction section]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 4100	R. 4131. - Definitions	{1}	[New - Non-substantive - Define "average monthly loss" as the term is used in describing the early warning system profitability tests]
Rule 30: Early Warning System	30.01	"early warning excess"	Rule 4100	R. 4131. - Definitions	{2}	
Rule 30: Early Warning System	30.01	"early warning reserve"	Rule 4100	R. 4131. - Definitions	{2}	
New Provision			Rule 4100	R. 4131. - Definitions	{3}	[New - Non-substantive - Define "early warning violation" as the term is used when one or more of the early warning system tests has been failed]
New Provision			Rule 4100	R. 4131. - Definitions	{4}	[New - Non-substantive - Define "loss" in order to specifically reference appropriate line item on the income statement in Statement E of Form 1 that is to be used in the early warning system profitability tests]
Form 1, Statement B	Statement B	"risk adjusted capital"	Rule 4100	R. 4131. - Definitions	{5}	
Form 1, Statement B	Statement B	"total margin required"	Rule 4100	R. 4131. - Definitions	{5}	
Rule 30: Early Warning System	30.02 and 30.04	preamble	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	
Rule 30: Early Warning System	30.02 and 30.04	Liquidity test	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	
Rule 30: Early Warning System	30.02 and 30.04	Capital test	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	
Rule 30: Early Warning System	30.02 and 30.04	Profitability test #1	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	
Rule 30: Early Warning System	30.02 and 30.04	Profitability test #2	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	
Rule 30: Early Warning System	30.04	Profitability test #3	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 30: Early Warning System	30.04	Frequency test	Rule 4100	R. 4132. - Early warning designation, levels and tests	{1}	[Amended - Substantive - Exclude discretionary early warnings from level 2 frequency test]
Rule 30: Early Warning System	30.03{} and 30.05	Notifying the Corp in writing	Rule 4100	R. 4133. - Early warning related requirements	{1}	
Rule 30: Early Warning System	30.05{c}	Meeting with the Corp	Rule 4100	R. 4133. - Early warning related requirements	{1}	
Rule 30: Early Warning System	30.03{ii}{2}, {4} and {5}; 30.03{iii}; 30.03{iv}; and 30.03{v}; 30.05 preamble; 30.05{b}; 30.05{d}; 30.05{e}; 30.05{f}; and 30.05{g}	Taking required actions	Rule 4100	R. 4133. - Early warning related requirements	{1}	
Rule 30: Early Warning System	30.03{ii} and {iii} and 30.05	Responding to the Corp's letter	Rule 4100	R. 4133. - Early warning related requirements	{1}	
Rule 30: Early Warning System	30.03{vi}	On-site reviewing of the Dealer Member's procedures	Rule 4100	R. 4133. - Early warning related requirements	{1}	
Rule 30: Early Warning System	30.03 and 30.05{h}		Rule 4100	[Repealed]		[Repealed - Substantive - Remove the reporting of early warning situations to applicable District Council]
Rule 30: Early Warning System	30.05{i}	Reimbursing the Corp's costs	Rule 4100	R. 4133. - Early warning related requirements	{1}	[Amended - Substantive - Extend the requirement to reimburse the Corporation for costs it incurs relating to early warning level 1 situations.]
Rule 30: Early Warning System	30.02		Rule 4100	R. 4134. - Discretion to designate a Dealer Member as being in early warning	{1}	
Rule 30: Early Warning System	30.04		Rule 4100	R. 4134. - Discretion to designate a Dealer Member as being in early warning	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 30: Early Warning System	30.03	{iv}	Rule 4100	R. 4135. - Restrictions on a Dealer Member in early warning	{1}	
Rule 30: Early Warning System	30.05	{j}	Rule 4100	R. 4136. - Additional restrictions	{1}	
Rule 30: Early Warning System	30.06		Rule 4100	R. 4136. - Additional restrictions	{1}	
Rule 30: Early Warning System	30.03		Rule 4100	R. 4137. - Prohibited transactions	{1}	
Rule 30: Early Warning System	30.07		Rule 4100	[Repealed]		[Repealed - Non-substantive - Requirement to inform other CIPF participating organizations is redundant as IIROC is now the only CIPF participating organization.]
Rule 30: Early Warning System	30.08		Rule 4100	R. 4138. - Lifting an early warning designation	{1}	
New Provision			Rule 4100	R. 4139. - 4149. Reserved		[New - Non-substantive - Reserved sections]
<b>Part C - Regulatory financial report filing requirements</b>						
New Provision			Rule 4100	R. 4150. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 16: Dealer Members' Auditors and Financial Reporting	16.02	{i}-{ii}	Rule 4100	R. 4151. - Dealer Member financial filings	{1}	
Rule 16: Dealer Members' Auditors and Financial Reporting	16.02	{iii}	Rule 4100	R. 4152. - Extending deadline for financial filings	{1} through {3}	[Amended - Substantive - Add ability for IIROC to grant an extension for the MFR filing.]
Rule 16: Dealer Members' Auditors and Financial Reporting	16.10		Rule 4100	R. 4153. - Late filing fee	{1}	
New Provision			Rule 4100	R. 4154. - 4169. Reserved		[New - Non-substantive - Reserved sections]
<b>Part D - Appointment of auditors and audit requirements</b>						
New Provision			Rule 4100	R. 4170. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 16: Dealer Members' Auditors and Financial Reporting	16.01		Rule 4100	R. 4171. - Approved auditors	{1} and {2}	[New - Substantive - Change the authority for approving panel auditors from each District Council to IIROC]
Rule 16: Dealer Members' Auditors and Financial Reporting	16.01		Rule 4100	R. 4172. - Dealer Member's auditor	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 16: Dealer Members' Auditors and Financial Reporting	16.05	Remainder of 1 <sup>st</sup> sentence	Rule 4100	R. 4173. - Responsibilities of a Dealer Member's auditor	{1}	
Rule 300: Audit Requirements	300.02	End of 1 <sup>st</sup> sentence	Rule 4100	R. 4174. - No limitation on scope or procedures	{1}	
Rule 16: Dealer Members' Auditors and Financial Reporting	16.05		Rule 4100	R. 4175. - Audit in accordance with Canadian Auditing Standards {CAS}	{1}	
Rule 300: Audit Requirements	300.01		Rule 4100	R. 4175. - Audit in accordance with Canadian Auditing Standards {CAS}	{1} and {2}	
Rule 300: Audit Requirements	300.01	2 <sup>nd</sup> part of 1 <sup>st</sup> sentence and 2 <sup>nd</sup> sentence	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	Preamble 2 <sup>nd</sup> sentence	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	{i}-{ii}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	1 <sup>st</sup> sentence after 300.2{ii}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	2 <sup>nd</sup> sentence after 300.2{ii}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	2 <sup>nd</sup> paragraph after {ii}	Rule 4100	R. 4175. - Audit in accordance with Canadian Auditing Standards {CAS}	{3}	
Rule 300: Audit Requirements	300.02	Paragraph after {ii}	Rule 4100	R. 4176. - Test procedures as at the fiscal year-end date	{1}	
Rule 300: Audit Requirements	300.02	{a}{i}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	{a}{ii}	Rule 4100	R. 4177. - Account for all securities, currencies, and other like assets	{1} through {4}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 300: Audit Requirements	300.02	{a}{ii}	Rule 4100	R. 4178. - Verify securities in transfer and in transit	{1}	[Amended - Non-substantive - Remove language because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	{a}{iii}	Rule 4100	R. 4178. - Verify securities in transfer and in transit	{1}	
Rule 300: Audit Requirements	300.02	{a}{iv}	Rule 4100	R. 4179. - Review the Dealer Member's position balancing and account reconciliations	{1} and {2}	[Amended - Substantive - Amend the following: <ul style="list-style-type: none"> <li>▪ replace the term "commodity and option contracts" with the term "derivatives"; and</li> <li>▪ replace the term "mutual funds" with the term "non-certificated instruments".]</li></ul>
Rule 300: Audit Requirements	300.02	{a}{v}	Rule 4100	R. 4180. - Review bank reconciliations	{1}	
Rule 300: Audit Requirements	300.02	{a}{vi}	Rule 4100	R. 4181. - Review custodial agreements and approvals	{1} and {2}	
Rule 300: Audit Requirements	300.02	{a}{vii}{1}-{9}	Rule 4100	R. 4182. - Obtain written positive confirmations	{1}	[Amended - Substantive - Amend the following: <ul style="list-style-type: none"> <li>▪ replace the term "commodity and option contracts" with the term "derivatives"; and</li> <li>▪ replace the term "mutual funds" with the term "non-certificated instruments"</li> </ul> <b>Amended - Non-substantive</b> - Remove the requirement for auditor to obtain written confirmations about lawsuits and other legal matters, as this is already a requirement of the CICA Handbook.]
Rule 300: Audit Requirements	300.02	{a}{vii}, last sentence	Rule 4100	R. 4183. - Review a sample of signed guarantee agreements	{1}	
Rule 300: Audit Requirements	300.02	{a}{viii}	Rule 4100	R. 4184. - Test and procedures on statements and schedules of Form 1	{1}	
Rule 300: Audit Requirements	300.02	{b}	Rule 4100	R. 4185. - Test statements for a description of securities held in safekeeping	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 300: Audit Requirements	300.02	{a}{ix}	Rule 4100	R. 4186. - Dealer Member obligations to auditor	{1}	
Rule 16: Dealer Members' Auditors and Financial Reporting	16.06		Rule 4100	R. 4186. - Dealer Member obligations to auditor	{2} and {3}	
Rule 300: Audit Requirements	300.02	{a}{vii}, 3 <sup>rd</sup> and 4 <sup>th</sup> sentences following {9}	Rule 4100	R. 4187. - Selection of accounts for positive confirmation	{1}	
Rule 300: Audit Requirements	300.02	{a}{vii}, 5 <sup>th</sup> sentence following {9}	Rule 4100	R. 4188. - Written confirmation of clients' accounts with no balance	{1}	
Rule 300: Audit Requirements	300.02	{a}{vii}, 6 <sup>th</sup> and 7 <sup>th</sup> sentences following {9}	Rule 4100	R. 4189. - Effect on capital if no position written confirmation received for a guarantee	{1} and {2}	[Amended - Non-substantive - Replace in subsection {1} the reference to those who sign a guarantee agreement from "customer" with "parties".]
Rule 300: Audit Requirements	300.02	{a}{vii}, 1 <sup>st</sup> sentence following {9}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	{a}{vii}, 2 <sup>nd</sup> sentence following {9}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.02	{c}	Rule 4100	R. 4190. - Calculations for Form 1 and other reporting	{1}	
Rule 300: Audit Requirements	300.03	{a}	Rule 4100	R. 4190. - Calculations for Form 1 and other reporting	{2}	
Rule 300: Audit Requirements	300.03	{b}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Remove reference to "exchange seats" because it is no longer relevant due to exchange demutualization]
Rule 300: Audit Requirements	300.03	{c}	Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 300: Audit Requirements	300.04		Rule 4100	[Repealed]		[Repealed - Non-substantive - Delete because it is duplicative of the requirements of the CICA Handbook]
Rule 300: Audit Requirements	300.05		Rule 4100	R. 4191. - Auditor's records	{1} through {3}	
Rule 300: Audit Requirements	300.06		Rule 4100	R. 4192. - Reporting a material breach of Corporation requirements	{1}	
New Provision			Rule 4100	R. 4193. - 4199. Reserved		[New - Non-substantive - Reserved sections]
<b>Part E - Financial disclosure to clients</b>						
New Provision			Rule 4200	R. 4200. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.01		Rule 4200	R. 4201. - Statement of financial condition available	{1} through {3}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.03		Rule 4200	R. 4202. - Statement of financial condition - contents	{1}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.01		Rule 4200	R. 4203. - Consolidated financial statements - similar named entity	{1}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.04	{b}	Rule 4200	R. 4203. - Consolidated financial statements - similar named entity	{1}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.04	Opening paragraph, {a} and {b}	Rule 4200	R. 4203. - Consolidated financial statements - similar named entity	{2}	
Rule 17: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.10		Rule 4200	R. 4204. - Dealer Member's auditor's report	{1}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.05		Rule 4200	R. 4204. - Dealer Member's auditor's report	{2}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.02		Rule 4200	R. 4205. - Publishing a statement of financial condition	{1}	
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.06		Rule 4200	R. 4206. - List of current executives and directors	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1400: Disclosure to Clients of Member's Financial Condition	1400.07		Rule 4200	R. 4207. - Statement of financial condition available to clients	{1}	
New Provision			Rule 4100	R. 4208. - 4219. Reserved		[New - Non-substantive - Reserved sections]
<b>Part F - General internal control requirements</b>						
New Provision			Rule 4200	R. 4220. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 2600: Internal Control Policy Statements	2600, Statement 1	General matters - {iv} 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> sentence	Rule 4200	R. 4221. - Definitions		
Rule 17: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.02A		Rule 4200	R. 4222. - Adequate internal controls	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 1	General matters - 2 <sup>nd</sup> paragraph, 2 <sup>nd</sup> sentence	Rule 4200	R. 4222. - Adequate internal controls	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 1	General matters - {v}	Rule 4200	R. 4222. - Adequate internal controls	{3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 1	General matters - 2 <sup>nd</sup> paragraph after {iv}, 1 <sup>st</sup> sentence	Rule 4200	R. 4223. - Preventive controls	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 1	General matters - 2 <sup>nd</sup> paragraph after {v}, 1 <sup>st</sup> sentence	Rule 4200	R. 4224. - Written record	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 1	General matters - 2 <sup>nd</sup> paragraph after {iv}, 2 <sup>nd</sup> sentence	Rule 4200	R. 4225. - Review and written approval of internal controls	{1}	
New Provision			Rule 4100	R. 4226. - 4239. Reserved		[New - Non-substantive - Reserved sections]
<b>Part G - Pricing internal control requirements</b>						
New Provision			Rule 4200	R. 4240. - Introduction	{1}	[New - Non-substantive - Introduction section]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Control objective {d}	Rule 4200	R. 4241. - Pricing Procedures	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {7}	Rule 4200	R. 4241. - Pricing Procedures	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Control objective {c}	Rule 4200	R. 4241. - Pricing Procedures	{3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {2}	Rule 4200	R. 4241. - Pricing Procedures	{3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {3}, 1 <sup>st</sup> sentence	Rule 4200	R. 4241. - Pricing Procedures	{4}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {8}	Rule 4200	R. 4241. - Pricing Procedures	{5}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {3}, 2 <sup>nd</sup> sentence	Rule 4200	R. 4241. - Pricing Procedures	{5}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Control objective {a}	Rule 4200	R. 4242. - Independent price verification	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {5}, 1 <sup>st</sup> sentence	Rule 4200	R. 4242. - Independent price verification	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Control objective {a}	Rule 4200	R. 4242. - Independent price verification	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {5}, 2 <sup>nd</sup> sentence	Rule 4200	R. 4242. - Independent price verification	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Control objective {b}	Rule 4200	R. 4242. - Independent price verification	{3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {1}	Rule 4200	R. 4242. - Independent price verification	{3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {6}	Rule 4200	R. 4243. - Keep supporting documents	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 7	Procedure {4}	Rule 4200	R. 4244. - Access to records	{1}	
New Provision			Rule 4100	R. 4245. - 4259. Reserved		[New - Non-substantive - Reserved sections]
<b>Part H - Calculation of price on a yield basis</b>						
New Provision			Rule 4200	R. 4260. - Introduction	{1}	[New - Non-substantive - Introduction section]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 1100: Calculating Price on a Yield Basis	1100.01	1 <sup>st</sup> paragraph	Rule 4200	R. 4261. - Calculating price if no method stated for calculating unexpired term	{1}	
Rule 1100: Calculating Price on a Yield Basis	1100.01	{a}	Rule 4200	R. 4262. - Bonds with unexpired term up to and including ten years	{1} and {2}	
Rule 1100: Calculating Price on a Yield Basis	1100.01	{b}	Rule 4200	R. 4263. - Bonds with unexpired terms over ten years	{1}	
Rule 1100: Calculating Price on a Yield Basis	1100.01	{c}	Rule 4200	R. 4264. - Prices	{1}	
Rule 1100: Calculating Price on a Yield Basis	1100.01	{d}	Rule 4200	R. 4265. - New Issues	{1}	
Rule 1100: Calculating Price on a Yield Basis	1100.02		Rule 4200	R. 4266. - Exceptions	{1}	
Rule 1100: Calculating Price on a Yield Basis	1100.03		Rule 4200	[Repealed]		[Repealed - Substantive – Remove provision requiring that bond quotations furnished to the press by any Dealer Member must be under the name of IIROC as IIROC no longer places a role in the pricing of bonds.]
New Provision			Rule 4200	R. 4267. - 4299. Reserved.		[New - Non-substantive - Reserved sections]
<b>Rules 4300 and 4400 - Protection of client assets</b>						
New Provision			Rule 4300	R. 4301. - Introduction	{1}	[New - Non-substantive - Introduction section]
New Provision			Rule 4300	R. 4302. - 4309. Reserved		[New - Non-substantive - Reserved sections]
<b>Part A - Segregation and related internal control requirements</b>						
<b>Part A.1 - General segregation requirements</b>						
New Provision			Rule 4300	R. 4310. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 2000: Segregation Requirements	2000.04	{b} and {c}	Rule 4300	R. 4311. - Definitions	{1}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.03		Rule 4300	R. 4312. - Fully paid and excess margin securities	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Control objective {b}	Rule 4300	R. 4312. - Fully paid and excess margin securities	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 4300	R. 4312. - Fully paid and excess margin securities	{2}	[New - Substantive – Require the execution of a cash and securities loan agreement in order to borrow segregated securities]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.03	B	Rule 4300	R. 4312. - Fully paid and excess margin securities	{3}	
Rule 2000: Segregation Requirements	2000.03		Rule 4300	R. 4313. - Restricted and non-negotiable securities	{1}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.03	A	Rule 4300	R. 4314. - Segregation of client securities	{1}{i} and {ii} and {2}	
<b>Part A.2 - Bulk segregation calculation</b>						
New Provision			Rule 4300	R. 4315. - Steps for bulk segregation calculation	{1}	[New - Non-substantive – Enact section to generally describe segregation requirements]
Rule 2000: Segregation Requirements	2000.04	{a} and paragraph after {a}	Rule 4300	R. 4316. - Net loan value and market value of securities in a client's account	{1} through {3}	
Rule 2000: Segregation Requirements	2000.05	1 <sup>st</sup> sentence and {a} and {b}	Rule 4300	R. 4317. - Calculating the number of client securities to be segregated in bulk	{1}	
Rule 2000: Segregation Requirements	2000.05	para-graphs after 2000.5{b}	Rule 4300	R. 4318. - Determining securities to satisfy segregation requirements	{1} through {3}	
Rule 2000: Segregation Requirements	2000.06		Rule 4300	R. 4319. - Frequency and review of bulk segregation calculation	{1}	
Rule 2000: Segregation Requirements	2000.07		Rule 4300	R. 4319. - Frequency and review of bulk segregation calculation	{2}	
<b>Part A.3 - Security usage restrictions and correcting segregation deficiencies</b>						
Rule 2000: Segregation Requirements	2000.08	{a} and {b}	Rule 4300	R. 4320. - General restrictions	{1}	
Rule 2000: Segregation Requirements	2000.08	{c}				[Repealed - Non-substantive - Remove subsection that is duplicative of other Rule 2000 requirements.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2000: Segregation Requirements	2000.09	1 <sup>st</sup> paragraph	Rule 4300	R. 4321. - Correcting segregation deficiency	{1} and {2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Procedures {6} and {8}	Rule 4300	R. 4321. - Correcting segregation deficiencies	{1} and {2}	
Rule 2000: Segregation Requirements	2000.09	2 <sup>nd</sup> paragraph	Rule 4300	R. 4322. - Call loan segregation deficiency	{1}	
Rule 2000: Segregation Requirements	2000.09	3 <sup>rd</sup> paragraph	Rule 4300	R. 4323. - Securities loan segregation deficiency	{1} and {2}	
Rule 2000: Segregation Requirements	2000.09	4 <sup>th</sup> paragraph	Rule 4300	R. 4324. - Inventory or trading account short position segregation deficiency	{1}	
Rule 2000: Segregation Requirements	2000.09	5 <sup>th</sup> paragraph	Rule 4300	R. 4325. - Client declared short sales segregation deficiency	{1}	
Rule 2000: Segregation Requirements	2000.09	6 <sup>th</sup> paragraph	Rule 4300	R. 4326. - Fails - client, Dealer Member, acceptable institutions or acceptable counterparties	{1}	
<b>Part A.4 - Minimum segregation policies and procedures</b>						
New Provision			Rule 4300	R. 4327. - General	{1}	[New - Non-substantive - Overview of new Part A.4]
Rule 0001: Interpretation & Effect	1.01	"Segregated Securities"	Rule 4300	R.4328. - Records of segregated securities	{1}	[Amended - Substantive – Amend to make requirements for maintenance of Dealer Member records more specific.]
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Procedure {1}	Rule 4300	R. 4329. - Twice-weekly report of items requiring segregation	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Procedure {9}	Rule 4300	R. 4330. - Reporting segregation deficiency	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Procedure {4}	Rule 4300	R. 4331. - Authorized personnel move securities	{1}	
New Provision			Rule 4300	R. 4332. - 4339. Reserved		[New - Non-substantive - Reserved sections]
<b>Part B - Custody and related internal control requirements</b>						
<b>Part B.1 - General custody requirements</b>						
New Provision			Rule 4300	R. 4340. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 2000: Segregation Requirements	2000.01		Rule 4300	R. 4341. - Hold securities in an acceptable securities location	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2000: Segregation Requirements	2000.02		Rule 4300	R. 4341. - Hold securities in an acceptable securities location	{1}	
Form 1, General Notes and Definitions	"acceptable securities locations"	{d}	Rule 4300	R. 4341. - Hold securities in an acceptable securities location	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Procedure {2}	Rule 4300	R. 4342. - Timely deposit	{1}	
<b>Part B.2 - Acceptable securities locations</b>						
Rule 2000: Segregation Requirements	2000.02	1 <sup>st</sup> sentence	Rule 4300	R. 4343. - Acceptable internal storage	{1}	
Rule 2000: Segregation Requirements	2000.02	{a}	Rule 4300	R. 4344. - Acceptable internal storage requirements	{1}	
Rule 2000: Segregation Requirements	2000.02	{b}	Rule 4300	R. 4345. - Acceptable transfer locations	{1}	
Rule 2000: Segregation Requirements	2000.01	1 <sup>st</sup> paragraph	Rule 4300	R. 4346. - Securities not under a Dealer Member's control or physical possession	{1}	
Form 1, General Notes and Definitions	General Notes and Definitions	{d} "acceptable securities locations"	Rule 4300	R. 4347. - Entities that may be acceptable external securities locations	{1}	
Form 1, General Notes and Definitions	General Notes and Definitions	{d} "acceptable securities locations"	Rule 4300	R. 4348. - Approval of foreign institutions or securities dealers	{1}	
Form 1, General Notes and Definitions	General Notes and Definitions	{d} "acceptable securities locations"	Rule 4300	R. 4349. - Application to the Corporation for approval of foreign institutions or securities dealers as acceptable securities locations	{1} and {2}	
Form 1, General Notes and Definitions	General Notes and Definitions	{d} "acceptable securities locations"	Rule 4300	R. 4350. - Annual approval of foreign institutions or securities dealers as acceptable securities locations	{1} through {3}	<b>[Amended - Substantive</b> – Amend to include requirements for the approval of foreign institutions/dealer as "acceptable securities locations. Requirements are consistent with previously issued guidance in IDA Member Regulation Notice MR-033]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Form 1, Statement B, Notes and Instructions	Statement B, Notes and Instructions	Note to Line 18	Rule 4300	R. 4351. - Obtaining a client waiver when an acceptable external securities location is unavailable	{1} through {4}	
<b>Part B.3 - Written custodial agreement requirement</b>						
Rule 2000: Segregation Requirements	2000.01	1 <sup>st</sup> sentence, {a}, {b} and {c}	Rule 4300	R. 4352. - Agreement with each acceptable external securities location	{1}	[Amended - Substantive – Amend to include indemnification clause requirement, a clause already included in IIROC’s standard agreement custody agreement.]
Rule 2600: Internal Control Policy Statements	2600, Statement 4	Procedure {3}	Rule 4300	R. 4352. - Agreement with each acceptable external securities location	{2}	
New Provision			Rule 4300	R. 4353. - Bare trustee custodial agreement	{1}	[New - Substantive – Enact section to specify that a Dealer Member has complied with the requirement to execute a custodial agreement if IIROC executes a bare trustee custodial agreement with the custodian. Requirements are consistent with previously issued guidance in IDA Member Regulation Notice MR-080]
<b>Part B.4 - Confirmation and reconciliation requirements</b>						
Rule 2000: Segregation Requirements	2000.02	{a}	Rule 4300	R. 4354. - Securities in transit	{1}{i} and {ii}	
Rule 0300: Audit Requirements	300.02	{a}{vii}{2}	Rule 4300	R. 4355. - Confirmations from external securities locations	{1}	
New Provision			Rule 4300	R. 4355. - Confirmations from external securities locations	{2}	[New - Substantive – Enact subsection to specify action to be taken by a Dealer Member when a custodian does not respond to an annual positive confirmation request.]
Rule 2000: Segregation Requirements	2000.02	{b}, 2 <sup>nd</sup> paragraph	Rule 4300	R. 4356. - Confirmations from transfer locations in Canada	{1} through {3}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2000: Segregation Requirements	2000.02	{b}, 3 <sup>rd</sup> paragraph, 1 <sup>st</sup> sentence	Rule 4300	R. 4357. - Confirmations from transfer locations in the United States	{1} through {3}	
Rule 2000: Segregation Requirements	2000.02	{b}, 3 <sup>rd</sup> paragraph, 2 <sup>nd</sup> sentence	Rule 4300	R. 4358. - Confirmations from transfer locations outside Canada and the United States	{1} through {3}	
Rule 2000: Segregation Requirements	2000.09	7 <sup>th</sup> paragraph	Rule 4300	R. 4359. - Confirmations of stock dividends receivable and stock splits	{1} and {2}	
New Provision			Rule 4300	R. 4360. - Reconcile books and records for mutual funds and deposit investment contracts	{1}	<b>[New - Substantive -</b> Enact subsection to specify reconciliation process for deposit investment contracts. Requirements are consistent with previously issued guidance in IDA Member Regulation Notice MR-080]
<b>Part B.5 - Margin requirements</b>						
Form 1, Statement B, Notes and Instructions	Statement B, Notes and Instructions	Notes to Lines 18 and 20	Rule 4300	R. 4361. - Acceptable securities location	{1}	
Form 1, Statement B, Notes and Instructions	Statement B, Notes and Instructions	Notes to Lines 18 and 20	Rule 4300	R. 4362. - Margin charges - non-acceptable securities location	{1}	
Form 1, Statement B, Notes and Instructions	Statement B, Notes and Instructions	Notes to Lines 18 and 20	Rule 4300	R. 4363. - Non-acceptable internal storage and non-acceptable securities location	{1}	
New Provision			Rule 4300	R. 4364. - No confirmation from securities location	{1}{i}	<b>[Amended – Non-substantive –</b> Enacted to specify capital effect where a custodian fails to respond to a positive audit confirmation request {relates to new subsection 4355{2}.]
Rule 2000: Segregation Requirements	2000.02	{b} 4 <sup>th</sup> paragraph	Rule 4300	R. 4364. - No Confirmation from securities location	{1}{ii}	
Rule 2000: Segregation Requirements	2000.09	7 <sup>th</sup> paragraph	Rule 4300	R. 4364. - No Confirmation from securities location	{1}{iii}	
Rule 2000: Segregation Requirements	2000.09	8 <sup>th</sup> paragraph	Rule 4300	R. 4364. - No Confirmation from securities location	{2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Form 1, Statement B, Notes and Instructions	Statement B	Line 20	Rule 4300	R. 4364. - No Confirmation from securities location	{2}{i}	
New Provision			Rule 4300	R. 4365. - No written custodial agreement	{1}	[New - Non-substantive - Introduction to section on custodial agreement related margin requirements]
Form 1, Statement C, Notes and Instructions	Statement C	Line 2{c}	Rule 4300	R. 4365. - No written custodial agreement	{2}	
Form 1, Statement B, Notes and Instructions	Statement B	Lines 18 and 20	Rule 4300	R. 4365. - No written custodial agreement	{3}	
Form 1, Statement B, Notes and Instructions	Statement B	Line 20	Rule 4300	R. 4366. - Books and records - reconciliation	{1} and {2}{i}	
Rule 2000: Segregation Requirements	2000.09	8 <sup>th</sup> paragraph	Rule 4300	R. 4366. - Books and records - reconciliation	{2}{ii}	
Rule 2000: Segregation Requirements	2000.09	8 <sup>th</sup> paragraph	Rule 4300	R. 4367. - Difference accounts	{1} and {2}	
New Provision			Rule 4300	R. 4368. - 4379. Reserved		[New - Non-substantive - Reserved sections]
<b>Part C - Client free credit requirements</b>						
New Provision			Rule 4300	R. 4380. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 1200: Clients' Free Credit Balances	1200.01	{a}	Rule 4300	R. 4381. - Definitions	{1}{i}{a}	
Rule 1200: Clients' Free Credit Balances	1200.01	{b}	Rule 4300	R. 4381. - Definitions	{1}{i}{b}	
New Provision			Rule 4300	R. 4381. - Definitions	{1}{ii}	[New - Non Substantive - Add definition of "net allowable assets" to refer back to Form 1 calculation under same name.]
Form 1, Statement D	Statement D		Rule 4300	R. 4382. - Dealer Member's use of client free credit balances	{1}	
Rule 1200: Clients' Free Credit Balances	1200.02		Rule 4300	R. 4383. - Notation on client account statements	{1}	
Rule 1200: Clients' Free Credit Balances	1200.03		Rule 4300	R. 4384 Calculating useable free credit balances	{1} and {2}	
Rule 1200: Clients' Free Credit Balances	1200.04		Rule 4300	R. 4385 Weekly calculation	{1}	
Rule 1200: Clients' Free Credit Balances	1200.05		Rule 4300	R. 4386 Daily compliance review	{1} and {2}	
Rule 1200: Clients' Free Credit Balances	1200.06		Rule 4300	R. 4386 Daily compliance review	{2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 4300	R. 4387. - 4399. Reserved		[New - Non-substantive - Reserved sections]
<b>Part D - Safekeeping requirements</b>						
New Provision			Rule 4400	R. 4400. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 2600: Internal Control Policy Statements	2600, Statement 5	Procedure {1}	Rule 4400	R. 4401. - Written safekeeping agreement	{1}	
Rule 0001: Interpretation and Effect	1.1	"Securities Held for Safekeeping"	Rule 4400	R. 4402. - Securities free from encumbrance	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 5	Procedure {2}	Rule 4400	R. 4403. - Procedures to keep securities apart	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 5	Procedure {3}	Rule 4400	R. 4404. - Identifying securities held for safekeeping in records	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 5	Procedure {4}	Rule 4400	R. 4405. - Release of securities held in safekeeping	{1}	
Rule 0001: Interpretation and Effect	1.1	"Securities Held for Safekeeping"	Rule 4400	R. 4405. - Release of securities held in safekeeping	{2}	
New Provision			Rule 4400	R. 4406. - 4419. Reserved		[New - Non-substantive - Reserved sections]
<b>Part E - Internal controls requirements for safeguarding cash and securities</b>						
New Provision			Rule 4400	R. 4420. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Control Objective {a}	Rule 4400	R. 4421. - Safeguarding client and Dealer Member cash and securities	{1}{i}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Control Objective {b}	Rule 4400	R. 4421. - Safeguarding client and Dealer Member cash and securities	{1}{ii}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6		Rule 4400	R. 4421. - Safeguarding client and Dealer Member cash and securities	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	parenthetical	Rule 4400	R. 4421. - Safeguarding client and Dealer Member cash and securities	{3}	[Amended - Non-substantive - Revise wording to create positive obligation on Dealer Member to have appropriate control procedures to safeguard client and Dealer Member cash and securities]

SROs, Marketplaces and Clearing Agencies

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {1}	Rule 4400	R. 4422. - Receipt and delivery of securities	{1} through {5}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {2}	Rule 4400	R. 4423. - Restricted access to securities	{1} through {3}	[Amended - Non-substantive - Remove reference to vault facilities as requirement is outdated.]
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {3}	Rule 4400	R. 4424. - Clearing	{1} through {7}	[Amended - Non-substantive – Remove current rule procedure 3{f} which to use of securities “not contrary to any laws” as not acting contrary to legislation is already covered generally.]
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {4}	Rule 4400	R. 4425. - Protecting securities	{1} through {4}	[Amended - Non-substantive – Remove redundant requirement in current procedure {4}{b} to limit the value of securities or other assets held at an individual securities location due to dematerialization]
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {5}	Rule 4400	R. 4426. - How to handle security records	{1} through {3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {6}	Rule 4400	R. 4427. - Rules for counting securities	{1} through {5}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {7}	Rule 4400	R. 4428. - Moving certificates and securities between branches	{1} through {4}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {8}	Rule 4400	R. 4429. - Transferring securities	{1} through {7}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {9}	Rule 4400	R. 4430. - Re-organization	{1} through {5}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {10}	Rule 4400	R. 4431. - Handling dividends and interest	{1} through {8}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {11}	Rule 4400	R. 4432. - Reconciling internal accounts	{1} and {2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 6	Procedure {12}	Rule 4400	R. 4433. - Cash	{1} through {9}	
New Provision			Rule 4400	R. 4434. - 4449. Reserved		[New - Non-substantive - Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
<b>Part F - Insurance requirements</b>						
New Provision			Rule 4400	R. 4450. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 0400: Insurance	400.04	base amount	Rule 4400	R. 4451. - Definitions	{1}{i}	
New Provision			Rule 4400	R. 4451. - Definitions	{1}{ii}	[New - Non-substantive – Define “standard form FIB” in order to collectively refer to required insurance coverage elements.]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.05		Rule 4400	R. 4452. - Dealer Member must have insurance	{1}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.07		Rule 4400			[Repealed - Substantive - Remove the applicable District Council’s discretionary power to reduce the required minimum amount of insurance that is to be maintained by the Dealer Member that has applied for the insurance reduction.]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.08		Rule 4400			[Repealed - Substantive - Remove the applicable District Council’s discretionary power to renew the insurance reduction that it granted in 17.07 to the Dealer Member.]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.09		Rule 4400			[Repealed - Substantive - Remove the requirement that the insurance reduction application to the applicable District Council by the Dealer Member under 17.07 and 17.08 be done through the Corporation.]
Rule 0400: Insurance	400.06	1 <sup>st</sup> sentence	Rule 4400	R. 4453. - Qualified insurance carriers	{1}	
Rule 0400: Insurance	400.06	2 <sup>nd</sup> sentence	Rule 4400	R. 4454. - Foreign insurers	{1}	
Rule 0400: Insurance	400.01		Rule 4400	R. 4455. - Mail insurance	{1} and {2}	
Rule 0400: Insurance	400.02		Rule 4400	R. 4456. - Financial Institution Bond	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0400: Insurance	400.04		Rule 4400	R. 4457. - General minimum insurance requirement	{1}	
Rule 0400: Insurance	400.04		Rule 4400	R. 4458. - Minimum insurance requirement for certain introducing brokers	{1}	
Rule 0400: Insurance	400.05	{b}	Rule 4400	R. 4459. - Double aggregate limit	{1}	
Form 1, Schedule 10	Schedule 10		Rule 4400	R. 4460. - Calculating minimum insurance requirement and RAC provisions	{1} and {3}	
Rule 0400: Insurance	400.05	{f}	Rule 4400	R. 4460. - Calculating minimum insurance requirement and RAC provisions	{2}	
Rule 0400: Insurance	400.05	{c}	Rule 4400	R. 4461. - Correction of insufficient coverage	{1}	
Rule 0400: Insurance	400.07		Rule 4400	R. 4462. - Global Financial Institution Bonds	{1}	
Rule 0400: Insurance	400.03		Rule 4400	R. 4463. - Notify the Corporation of underwriter insurance termination	{1}	
Rule 0400: Insurance	400.03	{B} 1 <sup>st</sup> 3.5 lines	Rule 4400	R. 4464. - When insurance ends due to take over	{1}	
Rule 0400: Insurance	400.03	{B} end of section	Rule 4400	R. 4464. - When insurance ends due to take over	{2}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.06		Rule 4400	R. 4465. - Notify the Corporation of claims	{1}	
Rule 0400: Insurance	400.05	{d} and {e}	Rule 4400			[Repealed - Non-substantive - Move the insurance coverage options available to the Dealer Member to guidance.]
New Provision			Rule 4400	R. 4466. - 4499. Reserved		[New - Non-substantive - Reserved sections]
<b>Rules 4500 and 4600 - Financing Arrangements</b>						
New Provision			Rule 4500	R. 4501. - Introduction	{1}	[New - Non-substantive - Introduction section]
New Provision			Rule 4500	R. 4502. - 4509. Reserved		[New - Non-substantive - Reserved sections]
<b>Part A - Repurchase market trading practices</b>						

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000	Intro	Rule 4500	R. 4510. - Introduction	{1}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000	Definitions	Rule 4500	R. 4511. - Definitions	{1}{i},{ii}, and {iv}-{vi}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000C	{6}	Rule 4500	R. 4511. - Definitions	{1}{iii}	<b>[Amended - Substantive</b> – Expand “general collateral” to include Government of Canada real return bonds, strips and coupons]
New Provision			Rule 4500	R. 4512. - General	{1}	<b>[New - Non-substantive</b> - General section]
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000D	{1} through {6}	Rule 4500	R. 4513. - Marking to market	{1} through {6}	<b>[Amended - Substantive</b> - Add text “unless otherwise agreed by the parties” to clause {2}]
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000E	{1} and {2}	Rule 4500	R. 4514. - Forward repo confirmation	{1} and {2}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000F	{1} and {2}	Rule 4500	R. 4515. - Obligation to make coupon payments	{1} and {2}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000I	{1} and {2}	Rule 4500	R. 4516. - Substitutions	{1} and {2}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000G		Rule 4500	R. 4517. - General collateral repo allocations	{1} through {3}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000H		Rule 4500	R. 4517. - General collateral repo allocations	{4}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000A		Rule 4500	R. 4518. - Confidentiality	{1} through {3}	
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000B	{1} through {16}				<b>[Repealed – Non-substantive</b> - Delete screen guidelines which are not requirements.]
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000C	{1} through {5}, {7} and {8}				<b>[Repealed – Non-substantive</b> – Remove settlement assumptions which were effectively guidance, since they could be varied with the agreement of both parties]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000I	{3}				[Repealed – Non-substantive - Remove timing of collateral substitution requirements which were effectively guidance, since they could be varied with the agreement of both parties]
Rule 3000: Code of Conduct for Dealing in Repo Markets	3000J					[Repealed - Non-substantive - Remove redundant compliance and enforcement provisions]
New Provision			Rule 4500	R. 4519. - 4599. Reserved		[New - Non-substantive - Reserved sections]
<b>Part B - Cash and securities loan, repurchase, and reverse repurchase transactions</b>						
New Provision			Rule 4600	R. 4600. - Introduction	{1}	[New - Non-substantive - Introduction section]
Form 1, Schedules 1 and 7	Schedules 1 and 7	Notes 1 and 2	Rule 4600	R. 4601. - Definitions	{1}{i}	
Rule 0100: Margin Requirements	100.17	{b}{ii} parenthetical	Rule 4600	R. 4601. - Definitions	{1}{ii}	
Rule 2200: Cash & Securities Loan Transactions	2200.01	overnight cash loan agreements	Rule 4600	R. 4601. - Definitions	{1}{iii}	
Rule 0100: Margin Requirements	100.17	{b} 2 <sup>nd</sup> to last sentence	Rule 4600	R. 4601. - Definitions	{1}{iv}	
Form 1, Schedules 1 and 7	Schedules 1 and 7	Notes 1 and 5	Rule 4600	R. 4601. - Definitions	{1}{v}	
New Provision			Rule 4600	R. 4601. - Definitions	{1}{vi}	[New - Non-substantive - Definition of "repurchase agreement"]
Rule 0100: Margin Requirements	100.17	{a}	Rule 4600	R. 4601. - Definitions	{1}{vii}	
Rule 2200: Cash & Securities Loan Transactions	2200.01	Schedule I Bank	Rule 4600	R. 4601. - Definitions	{1}{viii}	
New Provision				R. 4601. - Definitions	{1}{ix}	[New - Non-substantive - Definition of "written cash and securities loan agreement"]
Rule 2200: Cash & Securities Loan Transactions	2200.08	{a}	Rule 4600	R. 4602. - General requirements	{1}	
Rule 2200: Cash & Securities Loan Transactions	2200.05		Rule 4600	R. 4602. - General requirements	{2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2200: Cash & Securities Loan Transactions	2200.08	{b}	Rule 4600	R. 4602. - General requirements	{3}{i}	
Rule 2200: Cash & Securities Loan Transactions	2200.08	{e} last 2 lines	Rule 4600	R. 4602. - General requirements	{3}{ii}	
Rule 2200: Cash & Securities Loan Transactions	2200.06	{c}	Rule 4600	R. 4602. - General requirements	{4}	
Rule 2200: Cash & Securities Loan Transactions	2200.07	{a}	Rule 4600	R. 4602. - General requirements	{4}	
Rule 2200: Cash & Securities Loan Transactions	2200.08	{e}	Rule 4600	R. 4602. - General requirements	{4}	
Rule 2200: Cash & Securities Loan Transactions	2200.04		Rule 4600	R. 4602. - General requirements	{5}	
Rule 2200: Cash & Securities Loan Transactions	2200.02	First sentence	Rule 4600	R. 4603. - Written Agreement requirement	{1}	
Form 1, Schedules 1 and 7	Schedules 1 and 7	Note 5, 2 <sup>nd</sup> to last and last sentence	Rule 4600	R. 4603. - Written agreement requirement	{2}	
Form 1, Schedules 1 and 7	Schedules 1 and 7	Note 5, 2 <sup>nd</sup> paragraph	Rule 4600	R. 4603. - Written agreement requirement	{3}	
Rule 2200: Cash & Securities Loan Transactions	2200.03		Rule 4600	R. 4603. - Written Agreement requirement	{3}	
Form 1, Schedules 1 and 7	Schedules 1 and 7	Note 5, 2 <sup>nd</sup> paragraph	Rule 4600	R. 4604. - Margin requirements for cash and securities loans	{1}	
Rule 2200: Cash & Securities Loan Transactions	2200.07	{a} and {b}	Rule 4600	R. 4605. - Cash or securities loans between a Dealer Member and an acceptable institution or acceptable counterparty	{1}	
Rule 2200: Cash & Securities Loan Transactions	2200.06	{a} and {b}	Rule 4600	R. 4606. - Cash or securities loans between regulated entities	{1}	
New Provision			Rule 4600	R. 4607. - Cash or securities loans with other counterparties	{1}	[New - Non-substantive - Preamble]
Rule 2200: Cash & Securities Loan Transactions	2200.08	{c}{A}, {B} and {C}	Rule 4600	R. 4607. - Cash or securities loans with other counterparties	{2}	
Rule 2200: Cash & Securities Loan Transactions	2200.08	{d}	Rule 4600	R. 4607. - Cash or securities loans with other counterparties	{3}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Form 1, Schedules 1 and 7	Schedules 1 and 7	Note 5	Rule 4600	R. 4608. - Margin requirements for repurchase and reverse repurchase agreement transactions	{1}	
Rule 0100: Margin Requirements	100.17	{b}, {c} and {d}	Rule 4600	R. 4609. - Margin requirements for cash and securities loan, repurchase, and reverse repurchase transactions with term risk	{1}	
New Provision			Rule 4600	R. 4610. - 4699. Reserved.		[New - Non-substantive - Reserved sections]
<b>Rules 4700 and 4800 - Operations</b>						
New Provision			Rule 4700	R. 4701. - Introduction	{1}	[New - Non-substantive - Introduction section]
New Provision			Rule 4700	R. 4702. - 4709. Reserved		[New - Non-substantive - Reserved sections]
<b>Part A - Business continuity plan</b>						
New Provision			Rule 4700	R. 4710. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.16	1 <sup>st</sup> sentence, 1 <sup>st</sup> clause	Rule 4700	R. 4711. - Creating a business continuity plan	{1}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.16	1 <sup>st</sup> sentence, 2 <sup>nd</sup> clause	Rule 4700	R. 4712. - Business continuity plan procedures	{1}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.16	2 <sup>nd</sup> sentence	Rule 4700	R. 4712. - Business continuity plan procedures	{2} and {3}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.16	2 <sup>nd</sup> paragraph, 1 <sup>st</sup> sentence	Rule 4700	R. 4713. - Update business continuity plan	{1}	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.16	2 <sup>nd</sup> paragraph, 2 <sup>nd</sup> sentence,	Rule 4700	R. 4714. - Annual review and test	{1} and {2}	[New - Substantive - Add to subsection {1} a requirement for senior management annual approval of business continuity plan - previously set out as an expectation in IDA Bulletin 3442]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.16	2 <sup>nd</sup> paragraph, 3 <sup>rd</sup> sentence	Rule 4700	R. 4714. - Annual review and test	{3}	
New Provision			Rule 4700	R. 4715. - 4749. Reserved		[New - Non-substantive - Reserved sections]
<b>Part B - Trading and Delivery</b>						
New Provision			Rule 4700	R. 4750. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 0800: Trading & Delivery	800.01		Rule 4700	[Repealed]		[Repealed - Non-substantive - Redundant provision]
Rule 0800: Trading & Delivery	800.02		Rule 4700	[Repealed]		[Repealed - Substantive - Remove the prohibition of a Dealer Member from joining other trading organizations or associations]
<b>Part B.1 - General</b>						
Rule 0800: Trading & Delivery	800.49		Rule 4700	R. 4751. - Definitions	{1}{i}	
Rule 0800: Trading & Delivery	800.03		Rule 4700	[Repealed]		[Repealed - Non-substantive - Remove the definition of "clearing days"]
Rule 0800: Trading & Delivery	800.04		Rule 4700	[Repealed]		[Repealed - Non-substantive - Remove definition of "dealt in"]
Rule 0800: Trading & Delivery	800.30D	{a}{vii}	Rule 4700	R. 4751. - Definitions	{1}{ii}	
Rule 0800: Trading & Delivery	800.30A	"participant"	Rule 4700	R. 4751. - Definitions	{1}{iii}	
Rule 0800: Trading & Delivery	800.30	{c}	Rule 4700	R. 4751. - Definitions	{1}{iv}	
Rule 0800: Trading & Delivery	800.30A	"settlement service"	Rule 4700	R. 4751. - Definitions	{1}{v}	
Rule 0800: Trading & Delivery	800.31	{b}{i}	Rule 4700	R. 4752. - Definitions	{1}{vi}	
Rule 0800: Trading & Delivery	800.31	{b}{ii}	Rule 4700	R. 4751. - Definitions	{1}{vii}	
Rule 0800: Trading & Delivery	800.11		Rule 4700	[Repealed]		[Repealed - Non-substantive - Remove requirement already covered in account opening requirements section {PLR Section 3222{5}}]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0800: Trading & Delivery	800.12		Rule 4700	[Repealed]		[ <b>Repealed - Non-substantive</b> - Remove redundant provision relating to communication costs]
Rule 0800: Trading & Delivery	800.14		Rule 4700	[Repealed]		[ <b>Repealed - Substantive</b> - Remove the Chair of the District Council's rule interpretation authority on forbidden transactions. Dealer Members are already required to ensure their transactions are in compliance with IIROC's rules and securities legislation.]
Rule 0800: Trading & Delivery	800.15		Rule 4700	[Repealed]		[ <b>Repealed - Non-substantive</b> - Remove provision relating to the spirit and letter of the rules; will be covered off in section detailing principles of conduct]
Rule 0800: Trading & Delivery	800.27	{e}	Rule 4700	[Repealed]		[ <b>Repealed - Non-substantive</b> - Duplicative of trade confirmation requirements]
Rule 0800: Trading & Delivery	800.30D		Rule 4700	[Repealed]		[ <b>Repealed - Substantive</b> - Remove provision specifying how securities must be delivered through the clearing corporation. Delivery requirements are addressed within the clearing corporation rules.]
Rule 0800: Trading & Delivery	800.31	{d}	Rule 4700	[Repealed]		[ <b>Repealed - Non-substantive</b> - Provision stating that IIROC has the authority to review and amend its rules and allow exemptions from them is redundant.]
Rule 0800: Trading & Delivery	800.30C	2 <sup>nd</sup> sentence	Rule 4700	R. 4752. - Use of a clearing corporation	{1}	
Rule 0800: Trading & Delivery	800.30B		Rule 4700	R. 4752. - Use of a clearing corporation	{2}	
New Provision			Rule 4700	R. 4752. - Use of a clearing corporation	{3}	[ <b>New - Substantive</b> - Clarifies that IIROC's settlement requirements apply when a trade is to be settled without using a clearing corporation.]
Rule 0800: Trading & Delivery	800.49	1 <sup>st</sup> sentence	Rule 4700	R. 4753. - Use of a trade matching utility	{1}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0800: Trading & Delivery	800.31	{a}	Rule 4700	R. 4754. - Payment or delivery through client settlement agent	{1}{i} through {v}	
Rule 0800: Trading & Delivery	800.31	{c}	Rule 4700	R. 4754. - Payment or delivery through client settlement agent	{1}{v}	
Rule 0800: Trading & Delivery	800.10		Rule 4700	R. 4755. - Early registration of securities	{1}	
Rule 0800: Trading & Delivery	800.13		Rule 4700	R. 4756. - Repo and option granting transactions with clients	{1}	
Rule 0800: Trading & Delivery	800.47		Rule 4700	R. 4757. - When issued trading	{1}	
Rule 0800: Trading & Delivery	800.38		Rule 4700	R. 4758. - Tax payments	{1}	
<b>Part B.2 - Fixed income</b>						
Rule 0800: Trading & Delivery	800.05		Rule 4700	R. 4759. - Fixed income accrued interest	{1}	
Rule 0800: Trading & Delivery	800.16		Rule 4700	R. 4759. - Fixed income accrued interest	{1}	
Rule 0800: Trading & Delivery	800.06		Rule 4700	R. 4759. - Fixed income accrued interest	{2}	
Rule 0800: Trading & Delivery	800.07		Rule 4700	R. 4759. - Fixed income accrued interest	{3}	
Rule 0800: Trading & Delivery	800.08		Rule 4700	R. 4759. - Fixed income accrued interest	{4}	
Rule 0800: Trading & Delivery	800.09		Rule 4700	R. 4759. - Fixed income accrued interest	{5}	
Rule 0800: Trading & Delivery	800.48		Rule 4700	R. 4759. - Fixed income accrued interest	{6}	
Rule 0800: Trading & Delivery	800.33	{a}	Rule 4700	R. 4759. - Fixed income accrued interest	{7}	
Rule 0800: Trading & Delivery	800.33	{b}	Rule 4700	R. 4759. - Fixed income accrued interest	{8}	
Rule 0800: Trading & Delivery	800.35		Rule 4700	R. 4759. - Fixed income accrued interest	{9}	
Rule 0800: Trading & Delivery	800.23		Rule 4700	R. 4760. - Fixed income trading units	{1}	
Rule 0800: Trading & Delivery	800.19		Rule 4700	R. 4760. - Fixed income trading units	{2}	
Rule 0800: Trading & Delivery	800.22		Rule 4700	R. 4760. - Fixed income trading units	{2}	
Rule 0800: Trading & Delivery	800.20		Rule 4700	R. 4760. - Fixed income trading units	{3}	
Rule 0800: Trading & Delivery	800.22		Rule 4700	R. 4760. - Fixed income trading units	{4}	
Rule 0800: Trading & Delivery	800.21	{a} through {f}	Rule 4700	R. 4760. - Fixed income trading units	{5}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0800: Trading & Delivery	800.24		Rule 4700	R. 4761. - Fixed income delivery	{1}	
Rule 0800: Trading & Delivery	800.27	1 <sup>st</sup> sentence	Rule 4700	R. 4761. - Fixed income delivery	{1}	
Rule 0800: Trading & Delivery	800.25		Rule 4700	R. 4761. - Fixed income delivery	{2}	
Rule 0800: Trading & Delivery	800.27	{a} through {c}	Rule 4700	R. 4761. - Fixed income delivery	{3}	
Rule 0800: Trading & Delivery	800.27	{d} and {f}	Rule 4700	R. 4761. - Fixed income delivery	{4}	
Rule 0800: Trading & Delivery	800.29		Rule 4700	R. 4761. - Fixed income delivery	{5}{i}	[Amended - Substantive – Amend delivery time from before 5:30 p.m. to before 4:30 p.m. to reflect industry practice]
Rule 0800: Trading & Delivery	800.28		Rule 4700	R. 4761. - Fixed income delivery	{5}{ii}	
Rule 0800: Trading & Delivery	800.30	1 <sup>st</sup> paragraph and {a} 3 <sup>rd</sup> paragraph	Rule 4700	R. 4762. - Fixed income delivery	{6}{i}	
Rule 0800: Trading & Delivery	800.30	{a}, 1 <sup>st</sup> paragraph	Rule 4700	R. 4761. - Fixed income delivery	{6}{ii}	
Rule 0800: Trading & Delivery	800.26		Rule 4700	R. 4761. - Fixed income delivery	{6}{iii}	
Rule 0800: Trading & Delivery	800.30	{a}, 5 <sup>th</sup> and 6 <sup>th</sup> paragraph	Rule 4700	R. 4761. - Fixed income delivery	{6}{iv}	
Rule 0800: Trading & Delivery	800.30	{a}{v}	Rule 4700	R. 4761. - Fixed income delivery	{6}{v}	
Rule 0800: Trading & Delivery	800.30	{a}, 4 <sup>th</sup> paragraph	Rule 4700	R. 4761. - Fixed income delivery	{6}{vi}	
Rule 0800: Trading & Delivery	800.30	{a}{i} through {iv}	Rule 4700	R. 4761. - Fixed income delivery	{6}{vii}	
Rule 0800: Trading & Delivery	800.32		Rule 4700	R. 4761. - Fixed income delivery	{7}	
Rule 0800: Trading & Delivery	800.36		Rule 4700	R. 4761. - Fixed income delivery	{8}{i}	
Rule 0800: Trading & Delivery	800.37		Rule 4700	R. 4761. - Fixed income delivery	{8}{ii}	
Rule 0800: Trading & Delivery	800.46		Rule 4700	R. 4762. - Fixed income redemption payment	{1}	
<b>Part B.3 - Stocks</b>						
Rule 0800: Trading & Delivery	800.23		Rule 4700	R. 4763. - Stocks trading units	{1}	
Rule 0800: Trading & Delivery	800.19		Rule 4700	R. 4763. - Stocks trading units	{2}	
Rule 0800: Trading & Delivery	800.22	1 <sup>st</sup> part of sentence	Rule 4700	R. 4763. - Stocks trading units	{2}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0800: Trading & Delivery	800.20		Rule 4700	R. 4763. - Stocks trading units	{3}	
Rule 0800: Trading & Delivery	800.22	2 <sup>nd</sup> part of sentence	Rule 4700	R. 4763. - Stocks trading units	{4}	
Rule 0800: Trading & Delivery	800.21	{g}	Rule 4700	R. 4763. - Stocks trading units	{5}{i}	
Rule 0800: Trading & Delivery	800.24		Rule 4700	R. 4764. - Stocks delivery	{1}	
New Provision			Rule 4700	R. 4764. - Stocks delivery	{2}{i}	[New - Non-substantive – Add general provision setting out what is considered to be “regular delivery” for exchange-listed shares’]
New Provision			Rule 4700	R. 4764. - Stocks delivery	{2}{ii}{a}	[New - Non-substantive – Add general provision setting out what is considered to be “regular delivery” for unlisted shares’]
Rule 0800: Trading & Delivery	800.34		Rule 4700	R. 4764. - Stocks delivery	{2}{ii}{b} and {c}	
Rule 0800: Trading & Delivery	800.27	{d}, 1 <sup>st</sup> sentence	Rule 4700	R. 4764. - Stocks delivery	{3}{i}	
Rule 0800: Trading & Delivery	800.40	1 <sup>st</sup> part of 1 <sup>st</sup> sentence	Rule 4700	R. 4764. - Stocks delivery	{4}{i}	
Rule 0800: Trading & Delivery	800.41	1 <sup>st</sup> part of 1 <sup>st</sup> sentence	Rule 4700	R. 4764. - Stocks delivery	{4}{ii}	
Rule 0800: Trading & Delivery	800.30	{b}	Rule 4700	R. 4764. - Stocks delivery	{5}	
Rule 0800: Trading & Delivery	800.32		Rule 4700	R. 4764. - Stocks delivery	{6}	
Rule 0800: Trading & Delivery	800.36		Rule 4700	R. 4764. - Stocks delivery	{7}{i}	
Rule 0800: Trading & Delivery	800.37		Rule 4700	R. 4764. - Stocks delivery	{7}{ii}	
Rule 0800: Trading & Delivery	800.45		Rule 4700	R. 4765. - Stocks dividend claims	{1}	
<b>Part B.4 - Buy-ins</b>						
Rule 0800: Trading & Delivery	800.39		Rule 4700	R. 4766. - Buy-ins	{1}, 1 <sup>st</sup> sentence	
Rule 0800: Trading & Delivery	800.40		Rule 4700	R. 4766. - Buy-ins	{1}{i}	
Rule 0800: Trading & Delivery	800.41		Rule 4700	R. 4766. - Buy-ins	{1}{ii}	
Rule 0800: Trading & Delivery	800.42		Rule 4700	R. 4766. - Buy-ins	{1}{iii}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0800: Trading & Delivery	800.43		Rule 4700	R. 4766. - Buy-ins	{1}{iv}	
Rule 0800: Trading & Delivery	800.44		Rule 4700	R. 4766. - Buy-ins	{1}{v}	
New Provision			Rule 4700	R. 4767. - 4799. Reserved.		[New - Non-substantive - Reserved sections]
<b>Part C - Account transfers</b>						
New Provision			Rule 4800	R. 4800. - Introduction	{1}	[New - Non-substantive - Introduction section]
Rule 2300: Account Transfers	2300.01	"account transfer"	Rule 4800	R. 4801. - Definitions	{1}{i}	
Rule 2300: Account Transfers	2300.01	"delivering Dealer Member"	Rule 4800	R. 4801. - Definitions	{1}{ii}	
Rule 2300: Account Transfers	2300.01	"partial account"	Rule 4800	R. 4801. - Definitions	{1}{iii}	
Rule 2300: Account Transfers	2300.01	"receiving Dealer Member"	Rule 4800	R. 4801. - Definitions	{1}{iv}	
Rule 2300: Account Transfers	2300.01	"recognized clearing depository"	Rule 4800	R. 4801. - Definitions	{1}{v}	
Rule 2300: Account Transfers	2300.02	1 <sup>st</sup> paragraph, 2 <sup>nd</sup> sentence	Rule 4800	R. 4802. - Transferring a full or partial account	{1}	
Rule 2300: Account Transfers	2300.02	1 <sup>st</sup> paragraph, 1 <sup>st</sup> sentence	Rule 4800	R. 4803. - Transfer through recognized depository	{1}	
Rule 2300: Account Transfers	2300.02	2 <sup>nd</sup> and 3 <sup>rd</sup> paragraph	Rule 4800	R. 4804. - Communications between Dealer Members	{1} through {4}	
Rule 2300: Account Transfers	2300.03		Rule 4800	R. 4805. - Receiving Dealer Member responsibilities for documents	{1} through {3}	
Rule 2300: Account Transfers	2300.04	1 <sup>st</sup> paragraph	Rule 4800	R. 4806. - Delivering Dealer Member - response to request for transfer	{1} and {2}	
Rule 2300: Account Transfers	2300.05	1 <sup>st</sup> paragraph, 1 <sup>st</sup> sentence	Rule 4800	R. 4807. - Asset transfer	{1}	
Rule 2300: Account Transfers	2300.05	3 <sup>rd</sup> paragraph, 1 <sup>st</sup> part	Rule 4800	R. 4807. - Asset transfer	{2}{i}	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2300: Account Transfers	2300.05	1 <sup>st</sup> paragraph, 2 <sup>nd</sup> sentence	Rule 4800	R. 4807. - Asset transfer	{2}{ii}	
Rule 2300: Account Transfers	2300.05	3 <sup>rd</sup> paragraph, 2 <sup>nd</sup> part	Rule 4800	R. 4807. - Asset transfer	{2}{iii}	
Rule 2300: Account Transfers	2300.05	3 <sup>rd</sup> paragraph, 3 <sup>rd</sup> part	Rule 4800	R. 4807. - Asset transfer	{2} last sentence	
Rule 2300: Account Transfers	2300.04	2 <sup>nd</sup> and 3 <sup>rd</sup> paragraphs	Rule 4800	R. 4808. - Transfer impediment	{1} through {3}	
Rule 2300: Account Transfers	2300.06		Rule 4800	R. 4809. - Failure to settle	{1} and {2}	
Rule 2300: Account Transfers	2300.07		Rule 4800	R. 4810. - Non-certificated mutual funds	{1}{i} through {iii}	
Rule 2300: Account Transfers	2300.08		Rule 4800	R. 4811. - Interest or dividend receipt balances	{1}	
Rule 2300: Account Transfers	2300.05	2 <sup>nd</sup> paragraph	Rule 4800	R. 4812. - Margin	{1} and {2}	
Rule 2300: Account Transfers	2300.09		Rule 4800	R. 4813. – Responsibility for margining account	{1}{i} and {ii}	[Amend – Substantive - Current section 2300.9 is silent on when the receiving Member must assume responsibility for margining. We have added a start date of the earlier of {i} the date of transfer of all assets and money balances, and {ii} 20 clearing days after receipt by the delivering Dealer Member]
Rule 2300: Account Transfers	2300.10		Rule 4800	R. 4814. - Fees and charges	{1}	
Rule 2300: Account Transfers	2300.11		Rule 4800	R. 4815. - Corporation exemption	{1} and {2}	
New Provision			Rule 4800	R. 4816. - 4899. Reserved.		[New - Non-substantive - Reserved sections]
<b>Rule 4900 - Other Internal Control Requirements</b>						
New Provision			Rule 4900	R. 4901. - Introduction	{1}	[New - Non-substantive - Introduction section]
New Provision			Rule 4900	R. 4902. - 4909. Reserved		[New - Non-substantive - Reserved sections]

<b>Part A - Derivative risk management</b>						
New Provision			Rule 4900	R. 4910. - Introduction	{1}	<b>[New - Non-substantive - Introduction section]</b>
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Procedure {4}{i}	Rule 4900	R. 4911. - Risk management process	{1}	
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Control objective {a}	Rule 4900	R. 4911. - Risk management process	{2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Control objectives {b} and {c}	Rule 4900	R. 4911. - Risk management process	{3}	
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Procedure {4}{ii}	Rule 4900	R. 4911. - Risk management process	{4}	
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Procedures {1}{i} through {iii}	Rule 4900	R. 4912. - Role of board of directors	{1} and {2}	
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Procedures {2}{i} through {ix}	Rule 4900	R. 4913. - Role of senior management	{1}{i} through {ix}	
Rule 2600: Internal Control Policy Statements	2600, Statement 8	Procedures {3}{i} through {iv}	Rule 4900	R. 4914. - Pricing	{1} through {4}	
New Provision			Rule 4900	R. 4915. - 4999. Reserved		<b>[New - Non-substantive - Reserved sections]</b>